FINANCIAL TIMES

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No. 29,542 — Tuesday February 5 1985 — D 8523 B

Airbus experiences turbulence on two fronts, Page 14

World news

Indian says he passed secrets

A New Delhi businessman at the centre of India's spy scandal claimed that he had been passing secret defence and political information to France, East Germany and Poland in an operation he had conducted for 25 years.

His admission, which considerably widens the scope and significance of India's biggest spy scandal, was given in closed court shortly after two senior civil servants, whose office staff had leaked documents to the businessman, left their ministries on permanent leave.

The civil servants are M. C. Sarin, production secretary in the Ministry of Defence, and A. S. Baijal, an additional secretary (equivalent to deputy secretary) in the Ministry of Finance. Page 16

Solidarity warning

A leading Solidarity underground publication has warned that the organisation will oppose any International Monetary Fund programmes for Poland which could lead to a sharp drop in the standard of living. Page 2

Nuclear protest

West Germany's environmental and anti-nuclear movements declared an all-out campaign against the country's first nuclear reprocessing plant at Wackersdorf, close to the Czech frontier in eastern Bavaria. Preliminary work on it will begin in a few months time. Page 2

Defence review

The U.S. Government said it was reviewing its defence co-operation with New Zealand because of that country's refusal to allow a visit by an American warship.

Gibraltar poll

Gibraltar's population is overwhelmingly opposed to any discussion of sovereignty in the talks which Britain and Spain start today in Geneva, according to an opinion poll. Page 2

Swiss blockade

Swiss truck drivers blockaded border crossings with France, West Germany, Austria and Italy, almost bringing commercial traffic to a standstill.

Yugoslavs jailed

Three Yugoslav intellectuals were jailed for terms from one to two years after being found guilty of spreading propaganda hostile to the state. Page 2

Manila protest

More than 15 people were injured when Philippine Government demolition squads backed by riot police fought pitched battles with hundreds of stone-throwing squatters in Manila.

Mengele mock trial

Jewish twins and dwarfs who served as experiment subjects for Nazi concentration camp doctor Josef Mengele began testifying at a mock trial in Jerusalem intended to document the horror of his genetic experiments.

Pope's peace plea

Pope John Paul called on Peruvian Maoist guerrillas of the Sendero Luminoso group to lay down their arms.

Israeli killed

Israeli army launched a manhunt for Palestinian guerillas who shot dead an Israeli soldier in the centre of El-Bireh, north of Jerusalem on the occupied West Bank. Page 4

Nato forces head

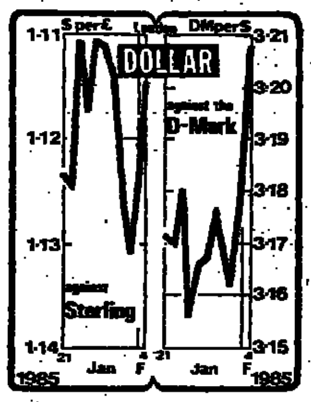
U.S. President Ronald Reagan appointed Gen Bernard Rogers to another two-year term as commander of the Nato forces.

Business summary

KHD to buy out engine supplier

KLÖCKNER-Humboldt-Deutz, the West German diesel engine and tractor manufacturer, has bought control of MWM, diesel engine division of Knorr Bremse and a leading supplier of engines to Renault and Fendt, two of Klöckner's rivals in the European tractor market. Page 17

WALL STREET: The Dow Jones industrial average closed up 12.36 at 1,290.08. Section III



DOLLAR was very firm in London, rising to DM 3.2115 (DM 3.1785), a record FFr 9.8125 (FFr 9.71), SwFr 2.738 (SwFr 2.7035) and Y259.35 (Y256.7). On Bank of England figures the dollar's exchange index rose to a record 148.0 from 146.7. Page 37

STERLING lost 1.05 cents against the dollar in London to $1.114. It was firmer against other leading currencies, however, closing at DM 3.5825 (DM 3.57), FFr 10.935 (FFr 10.91), SwFr 3.0525 (SwFr 3.04) and Y289.0 (Y288.75). The pound's exchange index fell 0.4 to 71.3. Page 37

GOLD fell $1.50 on the London bullion market to $301.75. It also lost ground in Zurich to $301.10. In New York the Comex February settlement was $302.10. Page 36

TOKYO: Shares closed higher with the Nikkei-Dow market average up 1.52 at 11,891.08. Section III

LONDON: Equities and government stocks were hit by interest rate fears, with the FT Ordinary index closing down 9.2 at 968.3. Section III

LONDON'S financial markets boomed during January as business volumes reached record levels. The value in business traded in securities on the Stock Exchange was £41.08bn ($46bn), £16.9bn higher than in December.

HONG KONG High Court ordered the winding up of Deak Perera (Far East), the gold and foreign exchange dealing subsidiary of Deak Perera of the U.S. Page 19

GENERAL MOTORS, the world's largest car maker, is planning to acquire Northwest Mortgage, the second biggest mortgage banking group in the U.S.

PAULS, UK manufacturer of animal feeds, malt and flavouring, rejected as "entirely unsatisfactory" a £106m ($118m) bid from Harrisons & Crosfield, the plantations and chemicals group. Lex, Page 16

LLOYD'S of London, the leading world insurance body, is to sell its life company, Lloyd's Life Assurance, thereby moving out of the long-term life and pensions field. The sale is expected to raise £100m ($111.4m).

NESTLÉ, the Swiss foods group, has offered A$73m ($57.7m) for 85 per cent of Lifesavers, an Australian producer of chocolate, confectionery, fruit juices and soft drinks. Page 18

STANDARD Chartered Bank has applied for permission to open a branch in Turkey and looks set to become the first British bank in the country. Page 18

DUNLOP OLYMPIC, the Australian battery, tyre and building supplies group, boosted net profits 22.4 per cent in the half-year to December 31 to A$40.3m ($31.8m) and raised interim dividend from 5 cents to 5.5 cents a share. Page 19

Reagan abandons hope of balancing budget this term

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan conceded yesterday that he would not be able to achieve his goal of a balanced budget in his second term of office, but claimed that the budget he sent to Congress was a significant step towards reducing the federal deficit.

"The budget I propose ... would reduce the deficit projected for 1988 to $144bn – still a far cry from our goal of a balanced budget, but a significant step in the right direction and a 42 per cent reduction from the current services level projected for that year," he said in his budget message.

Mr Reagan's budget proposal, although already discounted as a blueprint which Congress will enact in detail, is nevertheless seen as a bold statement of the political priorities the President is establishing for his second term of office – more radical in some ways than the budget he submitted at the beginning of his first term.

In order to achieve a reduction in government spending outside the defence, social security and debt service categories, which account for about two thirds of total budget outlays – all of which are rising sharply – Mr Reagan is asking Congress to endorse large cuts in a wide range of government spending programmes which benefit the middle classes and powerful business interests.

IMPACT OF 1986 BUDGET ON MAJOR SPENDING COMPONENTS

Budget component	Historic trend 1970	1980	1985	President's budget 1986	1988	1990
Share of GNP (%)						
Social insurance	4.1	7.2	7.7	7.4	7.1	7.0
Safety net for poor	0.8	1.8	1.8	1.6	1.5	1.4
Other domestic programmes	4.6	6.0	4.6	3.3	2.5	2.1
Defence	8.3	5.1	6.4	6.6	7.1	7.4
National interest programmes	1.0	0.8	1.0	0.9	0.7	0.7
Net interest	1.5	2.0	3.4	3.4	3.2	2.4
Total spending	20.2	22.9	24.8	23.2	22.2	20.9

His detailed proposals include the elimination of federal subsidies to state and local governments, of federal mass transit grants, of the Small Business Administration and cuts in federal workers' pay, in farm subsidies and in automatic cost-of-living increases to retiring military and civil service employees, for example.

The Export Import Bank's direct lending to promote U.S. business exports is also being stopped, and the budget message says the federal Government is not budgeting for future replenishments of the finances of multilateral development banks such as the International Development Association (IDA) beyond honouring existing commitments.

The politically bold attack on some of the large federal spending programmes which benefit the middle class would probably have gone further had the President not promised to leave unscathed the $200bn request for social security spending. Mr Reagan has already hinted that he might not resist a congressional decision to limit social security, however.

Even supporters of the President's four-year, $1 trillion (million

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Details, Page 6

$ continues to climb despite intervention

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE DOLLAR continued to climb to record levels yesterday in spite of moderate concerted intervention by European central banks.

Most of the dollar's progress was at the expense of the D-Mark. Sterling withstood the pressure relatively well, perhaps with some modest help from the Bank of England.

The dollar's surge to close at DM 3.212 in London, up 3.25 pfennigs from Friday's London close, continued progress started in New York on Friday. Dealers attributed it to the firming of U.S. interest rates and to the view that the budget measures announced by President Ronald Reagan yesterday would do little to cut the budget deficit in the near-term.

The dollar's Bank of England index against a trade-weighted basket of currencies closed in London at 148.0, up 0.9 per cent from Friday's closing figure. Although sterling lost 1.3 cents in London against the dollar, closing at $1.114, it gained against the D-Mark so that the sterling index (against a trade-weighted basket of currencies) fell only 0.4 of a point to 71.3 in London.

Dealers said, however, that sterling might still be vulnerable to the dollar if there was any adverse news on the domestic monetary front, or evidence of a further weakening of oil prices.

London financial markets showed that they though the dollar's strength made a cut in banks' base rates from the present 14 per cent less likely in the short term. Prices of equities and gilt-edged (government) stocks eased while the three-month interbank rate rose ⅛ of a point from Friday's level to just over 13¼ per cent.

Dr Fritz Leutwiler, former president of the Bank for International Settlements, the central bankers' bank in Basle, said that he believed that the dollar would remain "basically strong" although it might begin to decline this year.

The leading central banks appeared to be selling dollars in a concerted move yesterday as part of the recent agreement of the Group of Five industrial powers to act together against dollar speculation.

The West German Bundesbank caused a hectic flurry in the markets when it announced that it was intervening in support of the D-Mark.

Dealers said, however, that steady demand for dollars resumed when it became evident that the in-

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Market worries 'exaggerated', Page 8; Lex, Page 16; Money markets, Page 37; Stock markets, Section III

Bonn under attack as jobless total jumps to 2.61m

By Peter Bruce in Bonn

WEST GERMANY'S ruling centre-right coalition was bitterly criticised by the opposition Social Democrats (SPD) and Greens over its employment policies yesterday, after the Federal Labour Office in Nuremberg announced that total unemployment had climbed 12.7 per cent in January to a record 2.61m, or 10.6 per cent of the workforce.

SPD officials called the level "catastrophic" and claimed that at least a further 1m unemployed were not accounted for in the statistics. The Greens said the Government's optimism about economic growth this year was groundless.

The Government, for its part, blamed the weather. Herr Norbert Blum, the Labour Minister, said the freezing temperatures in January had affected a wide range of industries. Herr Martin Bangemann, the Economics Minister, described the rise as disappointing, but said it did not reflect badly on a basically healthy outlook for jobs. "No one is master over ice and snow," he said.

The January total is about 3.2 per cent higher than January 1984, – when the weather was mild – which lent some credence to the Government's arguments. Unemployment fell from 10.2 per cent in January last year to 9.4 per cent in December.

Herr Blum did, however, betray some signs of the Government's nervousness at the figures by urging employers to take on new employees rather than, as has been broadly the case until now, increasing overtime.

He also appealed to cities and local authorities to use what he called their "newly won financial muscle" to make long-term investments.

The Government has been insisting that capital inestment in the country will increase rapidly this year, possibly even offsetting any fall in export earnings which, due to the strength of the dollar against the D-Mark, kept the economy, and most important manufacturing industries, afloat last year.

Optimism about a flood of new investments is being increasingly questioned, however, with some economists and industrialists warning that industry may be over-exposed to the uncertainties of the foreign exchange markets.

● Belgian unemployment rose to an unofficial record of 12.6 per cent of the labour force in January, according to Belga, the Belgian news agency, AP-DJ reports.

Environmentalists declare war, Page 2

Hawke launches attack on EEC farm subsidies

BY QUENTIN PEEL IN BRUSSELS

MR. BOB HAWKE, the Australian Prime Minister, yesterday called on the EEC not to sell cheap beef in Asian and Pacific markets, and demanded a cut in subsidised sales of other European farm products in the region.

He launched a vigorous attack on the disruptive external effects of the Community's Common Agricultural Policy (CAP) after several hours of talks with members of the new European Commission, headed by M Jacques Delors.

Mr Hawke, visiting Brussels for the first time since he became Prime Minister in 1983, also attacked the growing trade protectionism among the big industrialised nations, which he blamed for the failure of U.S. economic growth to percolate through to the rest of the international economy.

He called for "clear signals" from the new European Commission that it would continue the process of reform of the CAP; hold down the level of farm-price support in the Community; restrain subsidised farm exports, and "seek a co-operative approach" to the problems of agricultural trade, particularly in sugar and dairy products.

Mr Hawke said he believed that some agreement by the Commission not to sell beef at a discount in Pacific markets might emerge from the detailed discussions to be held today by Mr John Kerin, the Australian Minister for Primary Industry, with Mr Frans Andriessen, the European Farm Commissioner, and Mr Willy de Clercq, the External Trade Commissioner.

The EEC is already facing a dispute with Canada over exports of beef from Europe's current surplus production, after the Canadian imposition of import quotas in December.

Mr Hawke told a meeting of the Centre for European Policy Studies in Brussels that subsidised exports from the EEC posed a threat to Australian markets in other parts of the world – markets which the Community itself had urged Australia to exploit.

"As Community policies have led it to emerge as the world's largest exporter of dairy products and beef, and a very large wheat and sugar exporter, as well as a major source of subsidised wine, we face erosion of our hard-won market opportunities elsewhere, and severe hardship for our farming community," he said.

Mr Hawke warned of the "seemingly inexorable" growth of trade protectionism, and a "disturbing change" in its nature, with a shift from agreed rules to "arbitrary administrative regulation."

He said there had been a continued erosion of the authority of the General Agreement on Tariffs and Trade and a further weakening – to the point of enfeeblement – of the most-favoured-nation principle.

He called for any new round of multi lateral trade negotiations to include priority for resolving outstanding issues, such as the special treatment of agriculture, tariff escalation against processed raw materials and barriers against the exports of the newly industrialised countries of the Pacific region.

● Mr Hawke flies on to Washington tomorrow for talks which he said would include reconsideration of the question of U.S. MX missile tests in Australian waters.

Record number of UK miners return

BY PHILIP BASSETT AND PETER RIDDELL IN LONDON

THE number of miners abandoning the UK coal strike yesterday rose to a record for any day since the dispute began. The National Coal Board (NCB) claimed that 2,318 men had returned to work.

This was more than 100 higher than the previous record in November. It followed last week's failure to re-establish talks between the board and the National Union of Mineworkers (NUM) to try to settle the dispute, now nearly 11 months old. The board claimed that 43 per cent of Britain's 187,000 miners were back at work.

Leaders of the NUM and of the opposition Labour Party tried yesterday to keep alive prospects of fresh negotiations. After a House of Commons debate on the strike, which had been demanded by Labour, Mr Neil Kinnock, the leader of the Opposition, urged "negotiations without preconditions in order to settle this dispute."

Mr Arthur Scargill, president of the NUM, claimed that a letter from the NCB had "given some encouragement to the union to believe that there is a possibility of negotiations with the coal board."

In response, the NCB warned against "raising false hopes" of talks and insisted that the NUM would have to indicate firmly in writing that it had shifted on the main issue of its opposition to pit closures on economic grounds before any negotiations could begin.

Senior NCB officials believe that Mr Scargill is trying to maintain the prospect of new talks to stem the drift back to work.

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Return to work and Commons debate, Page 8

Volvo buys stake in Pharmacia

BY DAVID BROWN IN STOCKHOLM

VOLVO, the Swedish motor vehicle and industrial group, said yesterday that it had acquired a big shareholding in Pharmacia, the drugs and biotechnology concern.

Volvo is now Pharmacia's single largest shareholder, with 3.2m shares. That corresponds to 26.6 per cent of the voting rights and 6.4 per cent of the equity.

The motor group is understood to have paid more than SKr 650m ($71.8m), a premium of about 10 per cent over the market price, to foundations associated with Pharmacia's original family owners. In Stockholm yesterday Volvo shares advanced SKr 18 to SKr 300, while Pharmacia shares rose by SKr 5 to SKr 225.

Volvo said yesterday that the acquisition was part of a long-term move into the sector. It planned further efforts to "expand the expertise of Swedish biotechnology, improve co-ordination in the sector and strengthen its international competitiveness."

Volvo plans to invite other, unnamed companies to take over some of its Pharmacia shareholding as part of a sectorial "consortium."

Pointing to Volvo's existing interests in several Swedish concerns in this field, Mr Pehr Gyllenhammar, chairman, characterised the Pharmacia deal as a "natural step." Mr Erik Danielsson, Pharmacia's managing director, welcomed Volvo's entry as "a very positive" complement to his group's strategic planning.

The Pharmacia acquisition could open up several opportunities for co-operation in research, development and marketing with Volvo's existing holdings.

These include:

● A 34 per cent stake in Senessons (which in turn controls the Leo/Ferrosan pharmaceutical company and the Gambro medical equipment group).

● A 22 per cent stake in the biotechnology and sugar company Cardo.

● At least 15 per cent in KabiGen, one of the world's leading producers of human growth hormone.

Pharmacia is expected to announce 1984 sales of about SKr 2.8bn and has forecast earnings of as much as Skr 640m. The group has had particular success in the opthamology, allergy and diagnostics fields, and is a leading manufacturer of separation equipment used in the biotechnology industry.

Despite a number of earlier attempts at diversification, the bulk of Volvo's SKr 7.6bn pre-tax earnings last year was generated by the car and truck divisions.

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CONTENTS

Decision on German N-plant prompts protest campaign

BY RUPERT CORNWELL IN BONN

WEST GERMANY'S powerful environmental and anti-nuclear movements last night declared an all-out campaign against plans for the country's first nuclear reprocessing plant at Wackersdorf close to the Czech frontier in eastern Bavaria, on which preliminary work will begin in a few months' time.

Almost a decade of controversy climaxed yesterday with the final decision by DWK, the company established by power utilities here to deal with atomic waste, to choose Wackersdorf as the site for the project, in preference to the other contender, Dragahn in Lower Saxony.

Following the go-ahead given by the cabinet here a fortnight ago, the move of DWK means that West Germany will join the small group of nations, including France, Britain and the U.S., to have a domestic reprocessing capability.

The facility, whose total cost has been variously estimated at between DM 5bn (£1.4bn and DM 10bn, is scheduled to go on stream in 1993 — assuming the protest lobbies are beaten back. Its initial capacity will be some 350 tonnes a year, compared with the 300 tonnes of spent fuel presently generated by the 18 nuclear power stations in service in the country.

DWK was last night optimistic that it could met these targets, and underlined the economic benefits that the scheme, which should provide 1,600 new jobs, will bring to a district where unemployment tops 16 per cent, nearly double the rate for Bavaria as a whole.

But its opponents, whose plans for resistance "by every legal means" already include a mass demonstration on February 16, argue that reprocessing is not merely dangerous, but also unnecessarily expensive when compared with other options

They claim that to place the waste untreated in permanent storage would be 40 per cent cheaper—quite apart from the risk of an accident during transport of used fuel, or that plutonium produced in a reprocessing facility could be diverted for military ends.

Hersant bids for pay-TV channel

By David Housego in Paris

M ROBERT HERSANT, France's controversial right-wing press baron, yesterday made headlines by offering to take over the loss-making pay television venture, Canal Plus.

Canal Plus is 42 per cent owned by the state controlled advertising agency, Havas, which announced on Friday a sharp drop in its net earnings for 1984 because of losses by Canal Plus. The unexpected performance precipitated a 13 per cent slump in its share price which fell to FFr 620.

M Hersant's offer yesterday was calculated to cause the Government maximum embarrasment and emphasise his ambition to expand into private television.

The offer is, none the less, in line with his announcement last month of an ambitious project for a national private television chain called TVE (Teleurop) which he hopes will start broadcasting next year. The project is planned to take advantage of the liberalisation of broadcasting promised by President Francois Mitterrand.

Havas yesterday made clear that in spite of Canal Plus's losses of about FFr 500m last year, the channel was not up for sale. In addition to Havas, state-owned institutions including banks hold another 18 per cent of the shares.

Canal Plus was launched last winter as a pay-television venture in competition with the three national channels. It has suffered from dissatisfaction with the quality of its programmes and the belief that it will be undermined by the opening up of television competition from private stations.

M Hersant's bid is given a further political flavour by the fact that M Andre Rousselet, the head of Havas, is a close friend of President Mitterrand and was at one time the director of his personal staff at the Elysee. As head of Havas, M Rousselet was worsted in an earlier tussle with M Hersant when he failed in an attempt to purchase *France Soir*, the Paris evening daily, from the Hersant group.

Spain to press issue of Rock sovereignty

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN GENEVA

BRITAIN and Spain will set the stage here today for detailed negotiations on Gibraltar *in spite of continuing disagreement over the long-term future of the partly self-governing colony.*

Though the British delegation, led by Sir Geoffrey Howe, the Foreign Secretary, will put the emphasis on the practical problems which need to be solved after the opening of the border between the Rock and Spain last night, Spain is expected to raise the issue of sovereignty straight away.

Sr Fernando Moran, the Spanish Foreign Minister, who will face Sir Geoffrey across the Geneva conference table, has gone out of his way to take the heat out of the sovereignty issue by his acceptance that this can be settled only in the very long term.

At the same time, Sr Moran has made it clear that, however long it may take, Spain's ultimate objective is to regain sovereignty over Gibraltar, which it ceded to Britain in 1713, under the Treaty of Utrecht.

In a British television interview broadcast 48 hours before the Geneva talks opened, Sr Moran spelled out his government's ideas on the subject in slightly more detail than hitherto.

Spain was seeking to sign a treaty with Britain which would "reintegrate" Gibraltar with Spain, while preserving the Gibraltarians' way of life.

This could mean that Spain would accept a certain amount of self-government by Gibraltar after a transfer of sovereignty.

However, for the British Government and the people of Gibraltar, represented at the talks by Sir Joshua Hassan, their veteran Chief Minister, the Spanish emphasis on sovereignty is an irrelevance at this juncture.

The British Government is firmly committed, under the *preamble of the Gibraltar* constitution of 1969, and the Brussels agreement of November last year, to respect the wishes of the people of Gibraltar on sovereignty. Both Sir Joshua and, in even stronger terms, Mr Joe Bossano, the Gibraltar Socialist Opposition leader, have stated that they would not accept accept Spanish sovereignty

One of the main problems on the table today is in what forum the sovereignty issue will be discussed in the coming months. Sir Geoffrey Howe has fully committed Britain to talks on sovereignty in the Brussels agreement.

But the Foreign Secretary wants only Sr Moran and himself to discuss this question, while his Spanish colleague is *expected to propose the creation* of a special committee on the subject.

GIBRALTAR'S population is overwhelmingly opposed to any discussion of sovereignty in the series of talks which Britain and Spain starts today in Geneva, according to an opinion poll, writes David White in Gibraltar.

The poll, published in the local weekly Panorama to coincide with the opening of the Spanish-Gibraltar border to road traffic at midnight, showed 94 per cent against discussing Britain's sovereignty over the Rock. Only 4 per cent were in favour.

It also showed that 73 per cent opposed the granting of working rights to Spaniards ahead of Spain's EEC entry —the other part of the Brussels agreement which has caused most controversy among Gibraltar's 30,000 inhabitants.

Mr Joe Bossano, the colony's left-wing opposition leader, returned to the attack yesterday saying the people should have been consulted on the agreement and that some form of independence should be considered as an option.

Gibraltar was being increasingly told by the UK, he said at a press conference, that it must make its own way. "We accept the challenge to stand on our own feet but we feel we should then assume our own political responsibilities."

However, Mr Bossano, who is considered the most likely successor to the present Chief Minister, the 69-year-old Sir Joshua Hassan, added that Gibraltar could never be totally independent running its own defence and foreign affairs.

Solidarity issues warning on eve of IMF team visit

BY CHRISTOPHER BOBINSKI IN WARSAW

A LEADING Solidarity underground *publication* has warned that the movement will oppose any International Monetary Fund (IMF) programmes for Poland that could lead to a clear drop in the standard of living.

The warning, in the Warsaw-based Tygodnik Mazowsze, comes on the eve of a visit to Poland of an IMF team to discuss Poland's entry terms to the Fund following the lifting of the U.S. embargo on Poland's membership of the IMF

Solidarity's comments stem from a policy paper circulated by Mr Zbigniew Bujak, the underground leader, who says that the IMF should also demand independent unions in Poland workers involvement in management councils and a dismantling of the still centralised economic system.

The visit coincides with the official announcement that national income grew by 5 per cent last year in real terms, but was still 14 per cent lower than in 1978,

The official figures for last year record a record grain harvest, a slight improvement in meat production and a 5.3 per cent growth in industrial output.

Last year, Poland had a hard currency trade surplus of $1.5bn (£1.35bn) which went mostly on servicing the country's Western debt which reached $26.8bn at the end of the year.

Management changes in the wind at Airbus

By David Marsh in Paris

PROSPECTS FOR a change of management style at Airbus Industrie increased yesterday as one of the venture's shareholders confirmed that more financial controls were needed

M Bernard Lathiere from France, chairman for the past 10 years, has just stepped down. M Roger Beteille, the general manager who is himself retiring soon on medical grounds, was named on Friday to succeed him on an interim basis.

Appointment of a long-term successor, expected to be M Jean Pierson of the French Aerospatiale aerospace group, has not yet been finally decided.

More attention, however, is focussing on other possible management changes under which financial controls over the consortium would be tightened up.

A key executive at one of Airbus's shareholders said yesterday that changes were needed in the essentially marketing-oriented structure at Airbus simply to take account of the much greater role of financial aspects in airliner sales compared with when the consortium was set up in 1970.

Battle for Thai order, Page 5; Feature, Page 14

Yalta legacy draws praise—and blame

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

The 40th anniversary yesterday of the start of the Yalta conference which set the post-war political order in Europe was marked by Soviet bloc praise for the Yalta agreements and denunciation of them by groups in the West.

Mr Vladimir Lomeiko, the Soviet Foreign Ministry spokesman, told a news conference in Moscow that Yalta had laid the ground for 40 years of peaceful co-existence. He criticised "certain circles in the U.S. and other Nato countries" who tried to depict Yalta as leading to the split-up of Europe.

"In fact, such a split was created by the activities of the Western powers which united three zones (of occuppied Germany) as a separate state and dragged it into the aggressive Nato bloc," he claimed, adding that with Pershing missile deployment in West Germany, "the threat to peace is again beginning to come from German soil."

At the same time, President Erich Honecker of East Germany has given his most pessimistic assessment of intra-German relations since Soviet pressure forced cancellation of his trip to West Germany last September. In a speech last Friday, he said bonn had made "good neighbourly relations virtually impossible."

Soviet bloc attacks on Bonn for its alleged "revanchism" or is expected to intensify up to the 40th anniversary celebrations in Moscow on May 9 of *the defeat of Nazi Germany.*

Mr Lomeiko made clear the two anniversaries are linked in the Soviet mind when yesterday he claimed that the views of those who critticsed Yalta "coincide surprisingly, and perhaps tragically for history, with those who to this time are trying to justify Hitler and his plans for waging war."

However, at an anti-Yalta rally in London last night, Mr Winston Churchill, the Conservative MP and grandson of the British wartime leader who attended Yalta, denounced Stalin's betrayal of his promise *to allow free and democratic* elections in Poland. "Six years of Nazi occupation have given way to 40 years of Soviet occupation," he said.

EEC-wide fury over farm plans

BY IVO DAWNAY IN BRUSSELS

THE European Commission has once again united the widely diverging interests of the Community's farm lobbies in opposition to its plans.

The chorus of fury over Mr Frans Andriessen's farm price proposals could be heard from northernmost Denmark to the furthest Greek isle.

By penalising the northern *cereals growers with a 3.6 per* cent prices cut, and at the same time threatening to reduce some Mediterranean fruit prices by up to 6 per cent, Mr Andriessen's package has something for everyone to hate.

The FNSEA, the largest French farmers' union, has described the proposals as scandalous. Their usually less than sympathetic British colleagues at the National Farmers' Union prefer "totally *inadequate," declaring the beef* provisions "perverse."

To the West Germans, it is "intolerable," while the Italian and Greek responses are said to be either unprintable or untranslateable.

So, far most member governments have chosen to hold their fire, awaiting instead an accurate measure of their farm lobbies' rumblings before approving the issuing of their condemnations. However, Herr *Ignaz Kiechle,* the West German minister, has sworn to fight the price cuts

Dissidents jailed in Yugoslavia

By Aleksandar Lebl in Belgrade

THREE OF the six Yugoslavs originally accused of conspiring to overthrow the regime were yesterday jailed for terms of between one and two years on lesser charges of spreading anti-state propaganda.

Mr Miodrag Milic, a script-writer, received a two-year sentence. Mr Milan Nikolic, a sociologist, and Mr Dragomir Olujic, a radio technician, received sentences of 18 months and one year, respectively.

The case of the "Belgrade Six" was widely considered the most important political trial brought by the authorities in recent years, when the six were put in the dock last November

But all charges were later withdrawn against one defendant, Mr Pavlusko Imsirovic, and the charge against the three sentenced yesterday was reduced from one of subversion to that of hostile propaganda.

The original charge still stands against Mr Vladimir Mijanovic, a sociologist, and Mr Gordan Jovanovic, a philosophy student, and their trial is due to resume at a later date.

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Swiss expect slowdown in economic growth

BY JOHN WICKS IN ZURICH

THE SWISS Government expects a slowing down of economic growth this year, with gross national product increasing by only some 1.7 per cent in real terms. That compares with an estimated 2.9 per cent rise during 1984.

The deceleration is seen as resulting from a general weakening in the world economy, as well as continued restraint in government spending.

Private consumption of goods and services should grow more slowly than last year, but with expansion in real terms of an estimated 1.3 per cent it will still be a strong element in overall economic growth. Investment spending is seen as falling off in its growth rate despite a boost in equipment investments.

Higher production in 1985 is expected to improve the already satisfactory capacity-use performance and lead to a possible slight increase in employment.

The unemployment rate, which last year passed the 1 per cent mark and thus reached its highest level since 1939, is predicted to fall back to 1 per cent or less.

At the same time, corporate profitability is forecast as "generally satisfactory" for the year.

Inflation in Switzerland will remain very modest this year. From a 1984 level of 2.9 per cent, it is expected by the Government to drop *to an annual average of around* 2.5 per cent.

In the foreign trade sector, exports of goods and services are seen as rising by a real-terms figure of 3.5 per cent, compared with one of 5.2 per cent last year. On the import side, a simultaneous fall from 6.5 to 3.8 per cent is foreseen.

UN appeal on torture

GENEVA – The United Nations Human Rights Commission was urged by Mr Peter Kooijmans, its outgoing chairman, yesterday to set up a system to monitor use of torture against prisoners.

He told the opening meeting of the commission's 1985 session that torture remained a daily occurrence, despite a convention to ban it adopted by the UN General Assembly in December.

It would be some time before the UN convention against torture came into effect. In the meantime the commission should consider setting up machinery by which it would be informed of acts of torture and could recommend ways of combating it. Reuter

Disarmament talks resume amid optimism for progress on chemical weapons ban

GENEVA – A 40-nation disarmament conference resumes today with Western diplomats optimistic of progress on a chemical weapons ban treaty and a generally more fruitful session in the light of forthcoming U.S.-Soviet arms control talks.

The conference, an autonomous body linked to the United Nations, brings together the five nuclear powers – the U.S., the Soviet Union, Britain, France and China – allies from both main political blocs and 21 non-aligned states.

Last year's session took place at a time of frosty relations between the superpowers after the suspension in late 1983 of U.S.-Soviet talks on medium and long-range nuclear missiles.

Now that missile negotiations are set to resume in March, Western diplomats are hoping for a more dynamic session of the disarmament conference.

"Almost everybody is optimistic that the climate will now be better and that there will be more progress on chemical arms," said Mr Donald Howitz, the chief U.S. delegate.

Mr Howitz said U.S. Arms Control and Disarmament Agency director Kenneth Adelman would address the session on February 12.

Negotiations on chemical arms, that have been held in different forms for 16 years, got bogged down over a draft treaty tabled last April by Mr George Bush, the U.S. vice-president.

The draft called for a ban on the possession, storage, production or export of chemical arms. It also proposed that governments should be obliged to open for international inspection state-run or state-controlled chemical facilities where there was suspicion that the treaty was being violated.

Moscow rejected the idea, saying it was intrusive and that it discriminated against the Soviet bloc, which would have to open all chemical plants to inspection while private Western sites would be exempt.

Hardly any progress was made on other items the conference is dealing with such as the prevention of an arms race in outer space, a nuclear test ban or a ban on radiological weapons – arms that can kill by dispersing radioactive materials without a nuclear explosion.

Mr Howitz was named last month by President Ronald Reagan to succeed Louis G. Fields, who retired after serving for three years.

Opening day speakers are scheduled to include Victor L. Israelyan, the veteran chief Soviet representative, whose return to Geneva last week disproved widespread rumours that he was being reassigned. Reuter

Paul Betts looks at the French Communists on the eve of a critical party congress

The pressures build up from below

"THE FORTRESS is under siege and for the first time the walls are beginning to crack." This remark, dropped casually by a French Communist voter in a conversation the other day, sums up in a nutshell why the French Communist Party's 25th Congress tomorrow will be like no other congress in the party's history.

For the first time, the leadership's draft resolution—usually sacrosant text which outlines the party's policy—will not win universal approval. Discussion is also likely to be more heated than in the past with the leadership itself coming under fire from some of the party's more outspoken members.

Already three out of 85 Communist regional federations in France have rejected the document and others have expressed profound misgivings and put forward major amendments. The party leadership itself acknowledges that about 10 per cent of its members will vote against or abstain on the draft resolution. Others say the rate of opposition to the document could be as high as 20 per cent or even 30 per cent.

For any other party a majority of 70 per cent or 80 per cent, let alone one of 90 per cent, would represent a landslide. For the Communists it would be a setback. It would eloquently confirm the deep internal conflict and identity crisis of the party.

The party has been struggling to halt its steady electoral decline which has seen it drop from more than 20 per cent of the popular vote to barely 10 per cent in the European elections last June.

After the European elections, it pulled out of the French left-wing governing coalition with the Socialists blaming the alliance for its troubles. Since withdrawing from the government, the Communists have increasingly attacked Socialist policies voting against the 1985 budget and more recently against the extension of the state of emergency in New Caledonia. For its part, the pro-Communist CGT labour confederation has also hardened its approach to industrial restructuring.

The majority of voters believe the French Communist Party is in a phase of "inevitable decline," according to a public opinion poll published yesterday. The poll, on the eve of the party's 25th congress which opens tomorrow, shows 54 per cent of voters taking that view. Significantly, 46 per cent of Communist party sympathisers share it also.

The hardline Communist Party leadership has also sought to silence the moderates or "renovators" inside the party who still argue in favour of maintaining a so-called union of the left in France and of Communist participation in government. In the process, M Georges Marchais, the Communist secretary-general, has been striving to save his job at the top of the party.

At first, it seemed the hardliners had regained full control of the party and successfully silenced its internal critics. But as the party congress has approached, the critics have resurfaced in far greater numbers and voice than the leadership had anticipated. M Pierre Juquin, the former spokesman of the party and a leader of the "renovators," wrote an article in L'Humanite, the Communist daily newspaper, claiming that the party was losing its identity and credibility.

M Juquin is likely to be punished at the Congress by being removed from the party's political bureau. But he is not alone to openly challenge the leadership. M Marcel Rigout, the former Communist minister, has also called for changes in policy and advocated the need for a continuing union of the left in France. The moderate minority in the party fear that unless the party evolves more along the lines of the Italian Communists, who are willing to adopt more Social Democratic policies, it risks disappearing in its own political ghetto.

Although M Marchais appears so far to have saved his job as secretary general, his power and influence have been greatly diluted in recent months. Indeed, the Congress is expected to decide to flank for the first time, the secretary general with two influential deputies, thus preparing for the eventual succession at the top.

The degree and openness of debate at the Congress next week will have a telling impact on the future of the party. At this stage, the hardliners and the leadership are expected to try to stifle and discourage criticism by the "renovators" as much as possible—even to the point of suggesting that there is little if any room for them inside the party. But it might turn out to be a pyrrhic victory for the traditional hardliners, especially if the party fails to halt its electoral decline in the French local elections next March.

Junior party crisis shakes Portugal's coalition government

BY DIANA SMITH IN LISBON

Prof Carlos Mota Pinto: narrow victory

A CRISIS erupted in Portugal's Social Democrat Party (PSD), the junior partner in the ruling centre-left coalition. As a result, the coalition's future could be in jeopardy.

The PSD leader, Prof Carlos Mota Pinto, who is Deputy Prime Minister in Sr Mario Soares' government, narrowly escaped defeat at the weekend on a motion of confidence he demanded from the party's national council, the body responsible for party decisions between congresses.

Irritated by criticism of his leadership and of efforts to promote a military candidate for this year's presidential election, Prof Mota Pinta, who is also Defence Minister, stormed out of the council after demanding an "unequivocal and clear" expression of support for his continuation as leader.

He scraped through the ensuing motion of confidence with 38 votes in his favour and 36 against. Next Saturday at another council meeting, Prof Mota Pinto will announce whether he considers this a sufficiently clear expression of support for him to remain leader.

The PSD's latest bout of tilting at its own leaders—a ritual the party has practised more than any other Portguese group since its foundation in 1974—comes at an especially tricky time.

Bent on promoting his own political party. President Antonio Ramalho Eanes, who has made clear his distaste for the unsettled ways of Portuguese politicians, seems to be looking for a strong excuse to disolve Parliament and call a snap general election where his new party could compete. The constitution bars a President from making a move unless a fully blown political crisis causes the breakdown of government and threatens democratic institutions.

Until the PSD's internal temperature shot up at the weekend, threatening a rift in the Government if Prof Mota Pinto feels unable to carry on, such a crisis seemed unlikely.

Sr Soares has been intent on ensuring government stability and leaving no loopholes through which the presidential strategy might slip. He may be thwarted by a party which has not shared the desire for stability displayed by Sr Soares' Socialists.

In 1981, the PSD drove their then leader and Prime Minister, Sr Francisco Balsemao, to resign in the face of hostility to his leadership. He returned later to office but resigned again in 1982 when his party colleagues made it impossible for him to continue.

His Finance Minister, Sr Joao Salgueiro, who has lately risen high in the PSD, declared after Prof Mota Pinto's narrow weekend victory that he is ready to take over the party leadership and continue in the coalition, albeit with a major Government reshuffle.

Under Sr Balsemao and Sir Salgueiro Portugal's balance of payments of deficit soared to \$3.2bn, provoking the economic drama that forced Sr Soares to declare and impose fierce austerity in 1983-84. It is unlikely that Sr Soares would find the former Finance Minister a *congenial government partner.*

Kyprianou looks for comfort in Athens

By Andriana Ierodiaconou in Nicosia

THE CYPRUS President, Mr Spyros Kyprianou, who is facing acute criticism from both the Communist and right-wing opposition at home for the collapse of last month's settlement talks in New York with Mr Rauf Denktash, the Turkish Cypriot leader, is flying to Athens today to brief the Greek Government on what went wrong.

Turkey blamed the Greek Cypriots for the breakdown, fully backing Mr Denktash, and Mr Kyprianou is expecting the same sort of reinforcement for his stance from Greece.

Mr Denktash left New York insisting that Sr Javier Perez de Cuellar, the United Nations Secretary-General, had called the summit meeting purely for the two sides to sign a preliminary settlement document drafted in November, after three months of indirect negotiations. Mr Kyprianou maintained that substantive negotiations were supposed to take place to fill in important blanks in the document before signature.

Back in Nicosia, the Cypriot President has been attacked for not compromising in New York by the two main opposition parties—the pro-Moscow Communist AKEL, and the pro-U.S. Democratic Rally, which between them account for about 65 per cent of the electorate. Both the Soviet Union and the U.S. are backing UN efforts to achieve a federal settlement in Cyprus, which would end the 10-year occupation of the northern third of the island by Turkish troops.

Washington is interested in minimising resistance from the so-called Greek lobby in Congress to increased military aid for Turkey, while Moscow wants to scotch any possibility of a permanent partition of the strategic island between Greece and Turkey, two Nato members.

Mr Kyprianou, whose own Democratic Party represents only 18 per cent of the vote, dissolved a coalition with AKEL before going to New York. At the end of last week he sought to form a new alliance with the Rally, but this was rejected by Mr Glafkos Clerides, the party's leader, who called instead for early presidential elections.

Senior aides to the President suggested in Nicosia yesterday that he would try to ride out the political storm, meanwhile working with the UN for another meeting with Mr Denktash, possibly in mid-March. The backing of Athens for this course of action would be a helpful boost.

Naples gangland trial opens in prison court

BY JAMES BUXTON IN ROME

WHAT IS BEING called the biggest trial in Italian history lumbered into motion in Naples yesterday in a courtroom that, for security reasons, has been constructed inside a prison. The trial is of 639 alleged members and associates of the Camorra, the Naples version of the Sicilian Mafia. Those on trial were arrested in a vast round-up in June 1983.

They are accused of a range of offences connected with the Camorra's two main activities—the trafficking of drugs and the extortion of protection money from businesses.

All are said to be connected with an organisation within the Camorra called the Nuova Camorra Organisata which is led by Raffaele Cutolo who is in prison on an island off Sardinia.

The authorities claim that Sig Cutolo's organisation has been routed, though the other branches of the Camorra continue to operate in the Naples area.

Yesterday, 158 accused appeared in 20 cages inside the vast courtroom in the Poggioreale prison.

But some of the more notable figures on trial were not in court yesterday. They include the former chairman of the Avellino First Division Football Club, who is ill, and Sig Enzo Tortora, one of Italy's leading television presenters.

The latter, who is alleged to have been involved in the sale of drugs to show business people, is to appear in court later this month. He has vigorously protested his innocence of all charges and obtained freedom from prison last year when he was elected to the European Parliament. This gave him parliamentary immunity. Since then, he has campaigned against what he regards as the iniquities of the Italian judicial system.

The charges which the accused face are based on evidence given by a number of Camorra members who decided to turn state's evidence. Among these is Pasquale Barra, formerly a close associate of Sig Cutolo, whose terrifying nickname is "o animale" — the Animal.

Like the other Camorra members who are co-operating with the authorities, he is under the closest possible protection. An army of policemen and Carabinieri is guarding the prison and surroundings.

Terrorism high on Rome talks agenda

By Our Rome Correspondent

THE WAVE of terrorism directed against Nato-related targets that has hit several European countries is likely to be high on the agenda of the European political co-operation ministerial meeting to be held in Rome next week.

Italy, as current president of the EEC, is not planning a concerted Community initiative against the terrorism. However, Sig Oscar Luigi Scalfaro, the Minister of the Interior, is pressing ahead with meetings with his European opposite numbers.

Today, he visits Spain and next week West Germany. The following week Mr Leon Brittan, the British Home Secretary, will be coming to see him in Rome. Sig Scalfaro has already visited France, the Netherlands and Belgium.

His meetings are devoted to the subjects of both terrorism and drugs.

Next Tuesday's political co-operation meeting is one of the regular ones involving EEC foreign ministers and or their deputies.

Rome's oldest cafe falls foul of the taxman

BY OUR ROME CORRESPONDENT

THE OWNERS of the smartest bars and cafés in Rome are biting their nails with anxiety these days. At any minute, they fear, the Guardia di Finanza, the fiscal police, could arrive and add them to the list of famous establishments to which they are currently giving exemplary punishments for tax infringements.

Since last Friday probably the oldest and most famous café in the city, the Café Greco, in Via Condotti, has been shuttered. It is being fined no less than L7bn (£3.2m), and has had its licence to operate removed for 15 days for an offence committed in 1983.

For 13 days at the beginning of October that year the Cafe—just by the Spanish steps—failed to comply with a new law ordaining the installation of electronic cash registers which record all transactions on a magnetic tape for the benefit of the tax man.

The law was introduced in order to prevent the tax evasion by shopkeepers which is, by common consent, rampant.

The proprietors of the Cafe Greco—which featured in the memoirs of the 18th-century philanderer Casanova—admit that they did not have the machine working on time. This, they say, was because its manufacturers did not arrive in time to seal the recording tape. Instead, they say, they kept printed receipts of all transactions for the few days in question.

The Grimaldi family which own the cafe are attempting to appeal against the action of the Guardia di Finanza and they insist that their establishment is fully up to date with all its tax payments. Three other important bars were closed down at the same time for similar offences.

The incident is a vivid demonstration of the ferocity with which Italian officials apply laws whose provisions themselves are very severe. The tax authorities argue that nothing short of exemplary and Draconian measures will make an Italian businessman pay his taxes.

Norway offers 40 blocks in offshore oil round

BY FAY GJESTER IN OSLO

THE MOST promising unallocated licensed area in Norway's part of the North Sea is among 40 blocks or part blocks being offered to oil companies under the first half of the country's 10th licensing round. There are 10 in the North Sea and 30 in the Nordland II area, between the Halten Bank and Traena Bank. The second half of the round will be announced in the autumn.

Block 34/8, next to the Snorre oil discovery made by Norwegian independent Saga Petroleum, is the "carrot" in this round and is likely to attract the greater number of applications.

Judging by Norwegian decisions in previous rounds, oil companies hoping for a share of this block would be wise to apply also for some of the less promising areas on offer.

The Oslo Government wants a good spread of exploration activity to map resources in new areas of the Norwegian shelf. Companies willing to take on "high risk" blocks will increase their chances of winning a stake in 34/8. The job of operator on the block, however, is almost certain to go to a Norwegian company — probably Norsk Hydro.

The other North Sea areas on offer are: the southern part of block 34/7 (the northern part, allocated last year, contains part of Snorre); two blocks in the Stord Basin area (25/6, 26/4); three in the Egersund basin (9/1, 9/2 and 9/3); and three along Norway's North Sea boundary lines (29/3 and the relinquished part of 15/12, both by the UK sector, and 2/12, adjacent to Denmark's sector).

Applications for the North Sea licences must be filed by May 10, and allocations will be made during the summer. The 30 blocks in the Nordland II area have only recently been covered by detailed seismic surveys. To allow companies more time to study the survey results, the deadline for applications for these blocks has been set at August 16, and awards will be announced in the autumn.

The Oil Ministry says companies may also apply, by that date, for some blocks previously offered but not allocated, on the Halten and Traena banks, near Nordland II.

OVERSEAS NEWS

South Korea will not jail returning dissident

BY STEVEN B. BUTLER IN SEOUL

SOUTH KOREA yesterday said that Mr Kim Dae-Jung, Korea's leading opposition politician, would not be returned to prison when he arrives home later this week, ending months of international speculation, although it is believed likely Mr Kim may be subject to some form of house arrest.

The announcement of the Government's more lenient policy towards Mr Kim comes just two days after Mr Ronald Reagan, the U.S. President, issued a formal invitation to Mr Chun Doo-Hwan, the Korean leader to visit the U.S. in April.

Diplomats in Seoul discount the possibility that an explicit deal was arranged between the two Governments—trading Mr Kim's freedom for the invitation to Mr Chun. But the U.S. is known to have raised the issues of Mr Kim's return in private discussions with Korean officials, and a delay in issuing the President's invitation may have put further pressure on the Korean Government to moderate its stance.

Mr Kim Dae-Jung (right) yesterday welcomed the South Korean statement as "the beginning of a reasonable attitude," reports Reuter from Washington, but called for an amnesty for political prisoners. Mr Kim noted there was no mention on "whether I can avoid house arrest or surveillance, which would deprive me of freedom," and called on the Government to "restore full political freedom of all present and past political prisoners and banned politicians" to lay "the foundations for genuine political dialogue."

According to a diplomat "Mr Chun knows that if there are severe political difficulties in Korea at the time of the visit, it could spoil the trip and make things very difficult for him personally. The Americans have clearly pointed this out to the Koreans."

Mr Kim has frequently been compared to Sen Benigno Aquino of the Philippines whose assassination at Manila airport upon his return in 1983 touched off political unrest that nearly toppled the Philippine Government.

Mr Kim nearly defeated Mr Park Chung-Hee the former South Korean President, in an election in 1981.

After President Park's assassination in October 1979 Mr Kim was once again a serious contender for the presidency. He was arrested in May 1980 having been in and out of prison when Mr Chun Doo-Hwan, then a two-star general in the army, came to power in a military coup.

Mr Kim was first sentenced to death for sedition. The sentence was later commuted to 20 years in prison, a decision that is believed to have earned Mr Chun, who had become president, an invitation to visit the U.S. in 1981.

Mr Kim was allowed to go to the U.S. in December 1982 to seek medical treatment, after serving tow and a-half years of the sentence.

The Korean Government had been quietly negotiating with Mr Kim up until December, trying to encourage them to return to Korea after the national assembly election on February 12.

Coming just ten days before national assembly elections and just a week before Mr Kim's return, the invitation by President Reagan to Mr Chun is regarded as a strong statement of confidence in and support for the Korean Government.

The U.S. has a major military presence in South Korea which it regards as pivotal to the defence of Western interests in Asia.

News of Mr Kim's return now scheduled for Friday morning, has not appeared in the Korean media, and Koreans generally are unaware of his plans.

Mr Kim's supporters, however, have organised a welcoming committee chaired by Mr Kim Young-Sam, another prominent dissident leader. Hundreds of people are expected to try to greet Mr Kim at the airport when he arrives although Korean police may take steps to prevent it. He will be accompanied on his flight to South Korea by about 20 prominent Americans, including three Congressmen who say they want to ensure his safety.

Lebanese pound tumbles

By Richard Johns in Beirut

THE LEBANESE pound tumbled yesterday to a range of 15.15 to 15.20 to the dollar, substantially below the previous record low of 13.30 reached at the close of trading on Saturday.

Dr Edmond Naim, governor of the central bank, met his deputies and senior officials to discuss how to slow the decline in the currency's value.

Recommendations made by the bankers' association on January 25 – when the present crisis started as the rate rose above 12 pounds to the dollar – are understood to have been approved at a long Cabinet session on Sunday.

The bankers' association has proposed a tightening of credit and much closer surveillance of advances to ensure that loans are not used for speculation in the currency.

China's press in campaign against harrassment

BY MARK BAKER IN PEKING

CHINA'S government-controlled press and broadcasting has begun a bold campaign for greater freedom and legal protection following a series of attacks on journalists.

Leading newspapers including the party mouthpiece, People's Daily, Radio Peking and the national television network have joined the campaign after a newspaper photographer was beaten by security guards last week.

The photographer, Zhai Wei, from the popular Peking Evening News as set upon by six guards after he ent to the aid of a woman who had fainted in the snow outside an exhibition hall in the western suburbs of Peking.

Zhai had run to a nearby hotel to summon a taxi to take the unconscious woman to hospital, but the guards refused to allow it through the gate.

When Zhai began to take photographs, the guards jumped on him, dragged him into a gatehouse, twisted his arms and neck and confiscated his camera, according to a report in the English-language China Daily.

Later Zhai's editor went to the scene to protest. While the guards returned the camera they accused Zhai of being a "phoney reporter" or a newsman "seeking personal gains."

The Evening News carried the story on its front page last Thursday. Since then, the case has received extensive coverage in several other leading newspapers, on radio and television and has become a rallying point for Chinese journalists who claim to be the victims of an increasingly level of harassment.

Three of the security guards involved in the attack have now been dismissed and the others have had pay and bonuses cut.

● The Bank of China has given its Shenzhen Special Economic Zone branch the authority to set up joint ventures with foreign banks and to fix interest rates, the official Xinhua news agency reported yesterday. AP-DJ reports from Peking.

● The Portuguese Governor of Macao arrived in Peking yesterday for economic co-operation talks and disclaimed any intention of discussing the territory's long-term future, Reuter reports.

The visit of Rear-Admiral Vasco Almeida e Costa comes less than two months after Britain signed an agreement to return Hong Kong, Macao's big, economically powerful south China neighbour, to Peking.

Israeli soldier shot dead on West Bank

Gunmen killed an Israeli soldier guarding a government building today in a daring escalation of the violence that has rocked the occupied West Bank in recent weeks, security sources said, Reuter reports from Tel Aviv.

The sources said the soldier, a reservist, was guarding a government building in El-Bireh, north of Jerusalem.

Greek tanker hit

A Greek tanker was struck by a missile in the Gulf yesterday and serious damage to the engine-room had put the vessel out of control, the Greek Merchant Marine Ministry said, Reuter reports from Athens. A spokesman said the tanker, named Fairship, was hit south of Iran's Kharg Island.

N-ship ban refusal

The U.S. has refused a request to change the warship it wants to send to New Zealand in order to comply with New Zealand's anti-nuclear policy, Dai Hayward reports from Wellington. The American response to the proposal was received in Wellington on Sunday.

Jayawardene warns Tamil terrorists

BY MERVYN DE SILVA IN COLOMBO AND ALAIN CASS IN LONDON

THE RISK of island-wide confrontation between Sri Lanka's Tamil minority and the Sinhalese-dominated Government grew yesterday following a hard-line speech by President Junius Jayawardene.

It was also confirmed that Sri Lanka is negotiating to try fast gunboats in its escalating war against Tamil terrorists.

In his Independence Day message yesterday, President Jayawardene pledged to eradicate "the terrorist menace" so that all communities could live in peace, equality and harmony. "We shall overcome," he said, declaring his readiness for "dialogue on the ethnic or any other issue."

However, the Ceylon Workers Congress (CWC) whose leader, Mr S. Thondaman is a Cabinet Minister, charged the Government of trying "to impose its will on the Tamil minority "through a harsh military operation." The CWC controls Indian Tamil labour in the economically vital plantation sector. It also denounced the Government's latest plan to introduce Sinhalese settlers to the predominantly Tamil, violence-torn areas of the north.

The CWC's frontal attack has not only raised doubts about Mr Thondaman's future as a minister but the possibility of a political alliance between the Indian Tamil community of the Central Province and the Tamils of the north. The CWC criticised the Government's present stand of not negotiating with the Tulf the main Tamil party, unless it publicly renounced separatism.

This, in turn, raises pressure on the Indian Government, with its own Tamil unionists, to intervene.

While the Government argues that the ethnic issue is an "internal matter" on which it will not negotiate with "outsiders," the CWC has asked it to seek India's "good offices." Mr Thondaman returned from Delhi recently wherfe he met the Indian Prime Minister, Mr Rajiv Gandhi, who last week described the Sri Lankan situation as "terrible."

The CWC says its activists are being "harassed, arrested and victimised" by estate managers and police. Any unrest in the plantations can do enormous damage to the island's economic and aid prospects. Last year, Mr Ronnie de Mel, the Finance Minister, based Sri Lanka's case before its aid group on the promise of a "political settlement" by December and the certainty of a balance of payments surplus of $200m because of high tea prices. Last week Mr de Mel and two senior colleagues visited western capitals to explain to donors the reasons for the collapse of the all-party conference on the Tamil problem.

● Cougar Holdings, a Southampton-based company which manufactures fast patrol boats, confirmed yesterday that the Sri Lankan navy was testing "a prototype" craft. If the trials prove satisfactory, the company said, it may be asked to quote for further craft.

Sri Lanka has been discussing the purchase of military equipment with several companies around the world since its war against Tamil guerrillas took a serious turn last year.

Cougar Holdings would not comment on a Sri Lankan newspaper report that up to ten of the patrol vessels may be needed. Sri Lanka has recently sharply increased its defence spending in an all-out effort to defeat the terrorists.

Marcos fails to check Communist resurgence

BY EMILIA TAGAZA IN MANILA

A LARGE group of armed men, mostly in their twenties, recently raided and occupied the police station and town hall of a remote fishing village in Zamboanga Del Sur province in the southern Philippines. There was no scuffle. They calmly collected firearms, thousands of rounds of ammunition, radio sets and typewriters. The villagers were unperturbed, some even discreetly acknowledged the young men.

The raiders were guerrillas of the New People's Army (NPA), military arm of the outlawed Communist Party of the Philippines (CPP), who have been conducting similar raids in order to increase their arsenal and communications network. The villagers did not fear them, for the NPA operates —in the few remote areas where they have set up parallel governments—in Robin Hood style. Government and military personnel who have fallen foul of the peasants are executed, free medical services offered, and "taxes" are collected from large logging, mining and agricultural estates.

The growing influence of the Communists is undoubtedly the biggest threat to Philippines security. Claiming a membership of about 30,000 and mass support of several millions, they are the only growing insurgency movement in Southeast Asia. The Philippines' allies, particularly the U.S. and the Association of Southeast Asian Nations (Asean), are becoming increasingly nervous and are making their concerns known to Manila quite bluntly.

Government estimates and the NPA's own claims give a rough idea of the insurgents' armed strength. The NPA said it has 20,000 full- or part-time guerrillas operating in 50 out of the country's 73 provinces. The Government said there are no more than 10,000 armed NPA members. Whichever figure is closer to reality, it is still small in a country of more than 50m. Nevertheless, it represents an impressive growth from the 100-odd ideologues led by Sr Jose Maria Sison, who took to the hills in 1969 to initiate a protracted guerrilla struggle.

An indication of the insurgents' strength is that NPA units in company strength of up to 100 men regularly attack detachments of government forces or privately-defended estates of big businessmen. The Government admits that last year almost 1,000 military personnel and 1,000 civilians were killed in clashes with the NPA. The rebels lost about 1,000 men.

The growing menace has not been lost on friendly governments and foreign investors who have stakes in keeping stable government in the Philippines. The U.S. is particularly concerned, for the Philippines is host to two of the superpower's largest bases outside the U.S. mainland. The U.S. does not want to lose these bases as is could radically shift the strategic balance in the Pacific region.

Foreign Minister Arturo Tolentino has disclosed that the U.S. may increase its military assistance to the Philippines in addition to the $900m five-year assistance package, or "rent" provided by the military bases agreement, in order to help counter insurgency. "The increase is possible, but the kind of assistance I see is not in the form of arms but perhaps in the form of advisers for training men and for the improvement of equipment," Mr Tolentino said. Military experts have been quick to comment that the training could involve the handling of arms and equipment to be used against the Communists.

> The Communist rebels are the only growing insurgency movement in South-East Asia. The Philippines' allies are becoming increasingly nervous and are making their concern known to Manila quite bluntly

The U.S. concern has been echoed by Asean, which is most disturbed by any prospect, however faint, of both the loss of the bases and the emergence of another Communist nation on its doorstep. In an unprecedented move, Mr Lee Kuan Yew, Singapore's Prime Minister, invited Mr Cesar Virata, the Philippines Prime Minister, and Mr Juan Ponce Enrile, the Defence Minister, to a meeting in Singapore with senior Asean ministers.

A new cause for concern is the Communist Party's threat to enter the mainstream of Philippine politics. In a recent interview which Government-influenced newspapers tried to play down, Mr Sison called for a general coalition between the party and legal opposition groups in order to bring down the Government of President Ferdinand Marcos. Mr Sison has been detained since 1977 but has demonstrated an extraordinary ability to continue to speak for the party on policy issues. Mr Sison proposed that the coalition field candidates in the local and presidential elections scheduled for next year and 1987.

The motivations of the party in deciding to participate in the elections is clear and the party boasts it is in a "no-lose" situation. It argues that following the assassination of opposition leader Benigno Aquino in August 1983, President Marcos has become alienated from the middle class, who are essential to the viability of his Government. Mr Aquino was shot moments after being taken into military custody upon his arrival from a three-year self-exile in the U.S. The outrage caused by the assassination resulted in massive anti-Government demonstrations and a serious loss of political and economic confidence in his Government.

The volatile political atmosphere set off the capital flight which caused the current economic crisis. The Philippines had to re-schedule some of its $25.6bn external debt, and the economy went into a tailspin, contracting by 5.5 per cent last year, the worst post-war performance and spawning more Communists sympathisers.

Mr Marcos survived the storm but is ill and has been unable to regain the political initiative. There is now frantic manoeuvring for position both within his ruling party and within the opposition in anticipation of his departure from office.

Judging the opposition to be ineffective, the Communists see advantages in gaining a foothold in a weak government which it might quickly dominate and control.

Mr Marcos used the issue of the "Red Threat" to justify the declaration of martial law in 1972, under which he acquired tremendous powers. He vowed to eradicate the Communists. As he is entering the twilight of his power, he sees instead their continued growth.

EEC split over imposing import quotas on Bangladesh

BY ALAIN CASS, ASIA EDITOR

THE EEC is split over whether to impose import quotas on Bangladesh which, as one of the world's poorest nations, has been struggling to establish export industries in its bid for economic development.

The situation has arisen as a result of a massive increase in the imports of cheap shirts from Bangladesh into Britain, France and Germany in the past two years.

Discreet negotiations between Bangladesh and the European Commission have so far failed to resolve the issue. Another effort to reach agreement will be made later this month when an EEC mission visits Bangladesh; but officials on both sides are pessimistic about the outcome.

Although the amounts involved are relatively small — Bangladesh's share of total EEC garment imports totals less than 0.1 per cent in volume — the issues raised by the row highlight the problems of encouraging least developed countries (LDCs) to stand on their own feet and rely less on western aid.

Britain and France are behind the move to impose quotas on shirts from Bangladesh. Imports into Britain have soared from 200,000 in 1983 to over 1.2m last year. France is faced with increases of the same magnitude.

However, West Germany which last year imported 1.7m shirts from Bangladesh is opposed to imposing import quotas. Under the Community's present rigid rules on textile imports the imposition of quotas may be inevitable in the long run.

Bangladesh is arguing strong that the imposition of quotas could cause massive unemployment in a new ndusry which employs 50,000 workers — 90 per cent of whom are women — and which already accounts for over 8 per cent of the country's export earnings.

The number of workers is expected to triple by the middle of this year. A major cut could, in turn unleash serious social unrest, officials claim.

Moreover, Bangladesh officials argue, the industry is entirely funded by the private sector. One Bangladesh official said:

"First the West asks us to stand on our two feet by promoting profitable private induu trial development. When we do just that they complain."

Bangladesh is still struggling to get over huge floods which cost the country an estimated $800m. The country is also faced with a mounting foreign debt burden while, at the same time, having a large adverse balance of trade with the EC.

The EEC move threatens substantial private investment currently being made in the shirt industry in Bangladesh. Community officials argue, however, that "only by putting on the squeeze" will Bangladesh be forced to diversify the development of its textile industry.

"The problem," said one official, "is that they have chosen to concentrate on a single item and a small number of markets."

Britain and France are deeply concerned about the increase of imported cheap shirts from Bangladesh. They point out that other countries in Asia, such as India, Pakistan, Malaysia, Sri Lanka and Hong Kong all have quotas.

If Bangladesh is allowed to increase its market penetration, these countries may press for an increase in their quotas.

The EEC Commission has reluctantly imposed a three-month ceiling on the import of shirts into Britain and France from Bangladesh while the talks continue.

This was done in December under the bilateral textile agreement between Bangladesh and the Community which is negotiated within the framework of the Multifibre Arrangement.

If no agreement is reached in this month's talks, which are due to be held on February 11 in Dhaka, Britain and France will have to decide whether to ask the Council of Ministers to impose unilateral import quotas on Bangladesh.

Such a move is likely to be resisted by West Germany and other members of the Community who are not affected.

Britain has numerous aid-supported projects in Bangladesh although there is no immediate threat to these projects, officials in Dhaka say.

W. Germany pushes China for clearer trade directives

BY RUPERT CORNWELL IN BONN

HERR MARTIN BANGEMANN, West German Economics Minister, yesterday issued a sharp call to the Chinese to give better explanations of their domestic market needs to West German companies seeking business there.

His plea came on the opening day of high-level trade talks between delegations from the two countries in Bonn. It illustrates some enduring difficulties of trade with China, despite Peking's drive to modernise its economy by opening doors to foreign suppliers.

Herr Bangemann admitted that "transparency"—in the form of more up-to-date statistics and better elaborated invitations for project tenders—had improved of late. But potential suppliers are still finding it hard to obtain exact data upon which to base their offers.

He also demanded further help from the Chinese authorities for permanent representatives of foreign concerns in the country—as well as greater attention to small and medium companies, well-placed to provide the increasingly specialised equipment required by Peking planners.

Hitherto, Chinese concerns have tended to deal with large companies, better able to accommodate barter trading proposals, or join in the financing of a deal, Herr Bangemann pointed out.

Although long-standing proposals for German help with the development of China's civil nuclear, aerospace and space industries will be examined this week, both sides have warned that immediate and firm decisions are unlikely.

Even so, and helped by a surge of 22 per cent in China's exports to the Federal Republic, trade between the two countries came close to DM 5bn (£1.4bn) in 1984. Bonn is looking for a further increase this year.

Mrs Chen Muhua, Minister for Foreign Trade who is heading the Chinese delegation, promised that the present liberalisation policies of Peking would be continued and speeded up. Foreign trade and pricing policies would be increasingly freed from ministerial dictate, she declared.

Airbus, Boeing battle hots up for new Thai contract

BY BOONSONG K'THANA IN BANGKOK

A SURPRISE MOVE by the Thai Cabinet to defer endorsement for the country's domestic airline, Thai Airways Company, to buy two Airbus jets signals that the battle between Airbus Industries and Boeing is hotting up again.

It is the second time in less than three years that the two manufacturers are engaged in the fierce battle to sell jets to Thailand. In the first battle, Airbus won.

Airbus wants to sell two A310 jetliners to Thai Airways, while Boeing is making an all-out effort to land a contract for a fleet of up to six B737-200s.

The move by the Cabinet, which often routinely approves proposals forwarded by Ministries, dissappointed the European consortium which last September received a letter of intent, from Thai Airways for the two jets, and was awaiting the Thai Cabinet's final approval.

On the other hand, it bolsters hopes for Boeing to sell more B737s to Thai Airways, which aready has five B737s in service.

Though there is no official explanation on the "shelving" of the proposal, it has been reported that the decision was made by the Prime Minister, Gen Prem Tinsulanonda, because of his concern that the Airbus purchase would have a significant impact on Thai-U.S. relations.

The Prime Minister told Cabinet members that the matter should not be dealt with now, until consultation is held with the Finance Minister, Mr Sommai Hoontrakul, who is due to return from an overseas trip.

Although the order by Thai Airways is not big, both Airbus and Boeing consider it an important sale that could determine the prospect for future sales in Asia.

Latest indications show that Thai Airways still has a strong preference for the A310—a view which is supported by the National Economic and Social Development Board, the country's economic planning board which advises the Cabinet.

Airbus has already agreed to extend the dealine for the price offer of about $110m (£100m) for two A310s plus spare parts until mid-February. If the Airbus deal is approved soon, the first A310 will be delivered to Thai Airways in 1986 and the second in 1989.

Oerlikon wins £230m Egypt arms order

By John Wicks in Zurich

CONTRAVES ITALIANA, an Italian subsidiary of the Swiss Oerlikon-Buehrle group, has received a L500bn (£230m) order for anti-aircraft equipment from the Egyptian Government.

The order covers quantities of Contraves "Skyguard" fire-control systems, Buehrle 35 mm anti-aircraft field guns, and—also to be supplied by the Swiss group—U.S.-made "Sparrow" rocket launchers.

ECGD 'will continue to meet its objectives'

BY OUR TRADE EDITOR

THE CASH flow problem of the Export Credits Guarantee Department should be seen against the perspective of reserves of more than £600m, Mr Paul Channon, Trade Minister, said yesterday.

He told a luncheon audience of City advisers to the ECGD that the Department would continue to be able to meet its twin objectives of encouraging exports and operating at no net cost to the taxpayer.

The ECGD was not alone in suffering a trading loss and a cash deficit. "All its international counterparts are in the same boat," he said.

The Minister coupled his words of reassurance with a hint that some of the Department's loss-making services may be cut or abolished.

Mr Channon's remarks can be seen as anticipating the likely thrust of interrogation when the Public Accounts Committee of the House of Commons takes evidence from the ECGD later this month.

The Department's latest accounts were qualified by the Government auditor last week on the grounds that not enough provision had been made for political risk.

The auditor also questioned the viability of some of the services more peripheral to the ECGD's business.

Alcatel forges new link in radio-telephone race

BY DAVID MARSH IN PARIS

A SHAKE-UP has taken place in alliances among French and West German electronics companies competing to build a joint radio-telephone service in the two countries.

Alcatel-Thomson, the French state-owned telecommunications group, has foresaken its earlier partner, Siemens, in favour of forging links with Standard Elektrik Lorenz (SEL), the German subsidiary of International Telephone and Telegraph.

The two companies will be working together to reply to eventual tenders for a Franco-German cellular radio-telephone system, to be based on digital technology, planned to come into operation from around 1990 onwards.

Earlier plans forged by the Bonn and Paris Governments to set up a joint system from next year onwards, based on older analogue equipment were abandoned last autumn because of differences between the two sides over the technology involved.

Alcatel-Thomson yesterday said it had chosen SEL as the partner for the new system because it was the "most competent in this field."

The new association will also involve the private French Société Anonyme de Télécommunications (SAT) as well as AEG Telefunken.

The decision effectively downgrades earlier plans at Alcatel on collaboration with Philips of the Netherlands over a 900 MHz cellular radio system based on the MATS-E standard, which still, as yet, exists only on paper.

U.S. 'near' to regulations change on textile imports

BY NANCY DUNNE IN WASHINGTON

A HIGH-LEVEL inter-agency committee has been examining hundreds of comments protesting at new U.S. textile import regulations and is said to be close to proposing revisions of the rules implemented amid much controversy last autumn.

The Committee for the Implementation of Textile Agreements is composed of representatives from the State, Treasury, Labour and Commerce departments, and the U.S. trade representative.

The rules, condemned last month by the textile surveillance body of the General Agreement on Tariffs and Trade in Geneva, alter the American country-of-origin criteria and change the long-accepted "substantial transformation" requirement applied to U.S. textile and apparel imports.

The U.S. Customs Service, determined to stem what officials say has been a flood of illegal imports, claims the new rules have caused little disruption.

However, Hong Kong representatives in Washington last week said the regulations have caused a precipitous drop in 1985 orders.

U.S. Congressmen, retailers, importers and farmers have joined foreign governments to plead for at least a revision of the regulations.

Even the International Ladies' Garment Workers, anxious to have the country where apparel is sewn listed as the country-of-origin, wrote to the Customs Service to complain that the rules are "cumbersome and complex and leave many questions unanswered."

The Joint Industry Group, a coalition of industry trade groups, said the regulations, issued while a worldwide effort is underway to standardise rules of origin for international trade, "represents an obvious proliferation of non-uniformity and commodity discrimination for trade purposes."

The group's chairman, Mr David McDonald, warned that the rules may be expected to "generate concrete acts of retaliation against American exporters of other commodities.

"There is no indication that the potential impact on the U.S. economy of such retaliation has been fully considered

Farmers, too, are worried about retaliation, principally in regard to China, which failed to fulfil its commitment to buy 6m tonnes annually during 1983-84, when textile disputes were in progress.

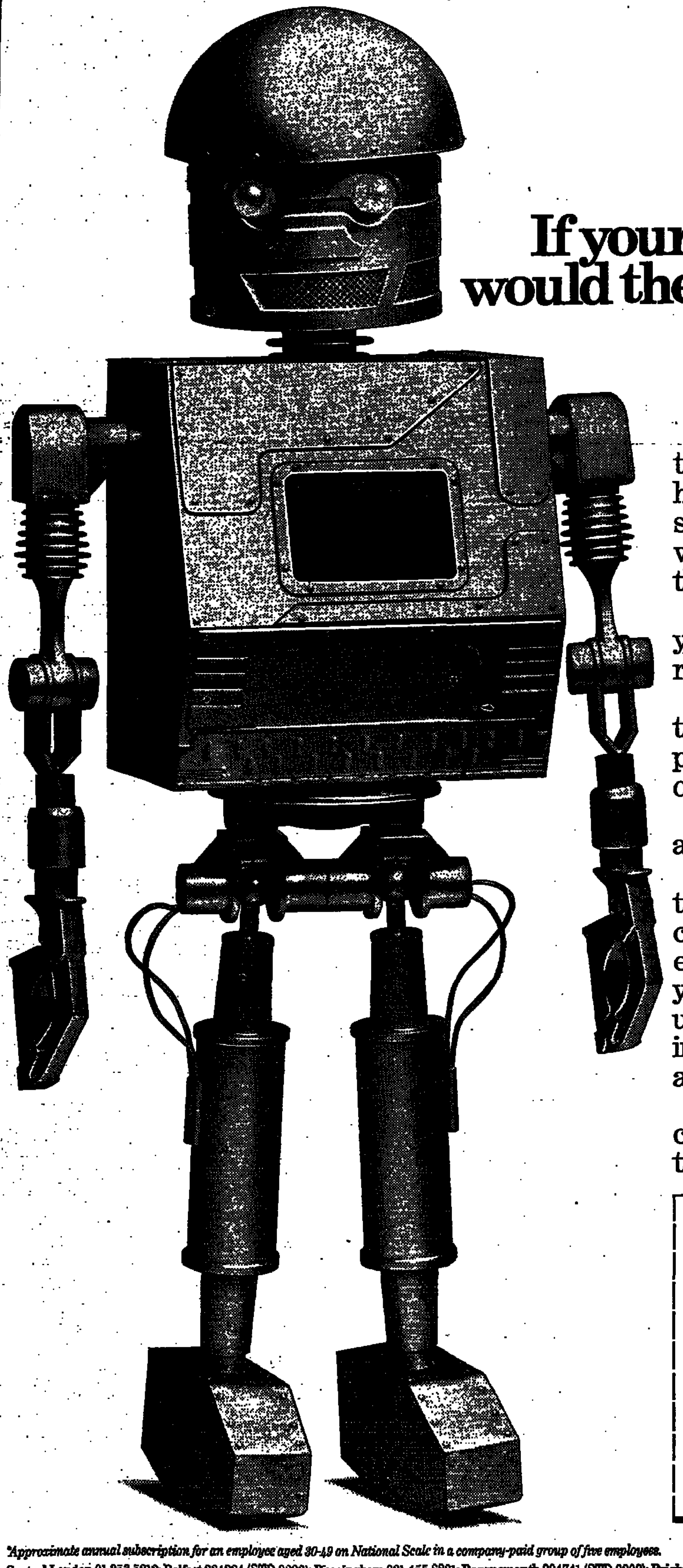
"The U.S. pulled the rug out from under American importers and foreign exporters by abruptly changing the rules and totally disrupting marketing arrangements," the U.S. Wheat Associates wrote to the Customs Service.

The Chinese sent a letter of protest to the State Department ominously for seeing "negative results in our two-way trade" if the rules are not revised.

The new rules, however, have their adherents in the domestic industry. The man-made Fibre Producers Association complained of the "swelling of imports," lost business and Jobs, and sees the rule as "an important major step toward the effective administration of our textile trade."

"Various foreign exporters have been using weaknesses in customs regulations to evade legitimate quotas," Congressman John Dingell wrote to President Reagan.

"Any weakening of the regulations will be a signal to those foreign producers who have been guilty of unfair and illegal practices that they can continue to thumb their noses at quota requirements and regulations of the Customs Service."



The President's 1986 Budget proposals may be his last chance to tackle the deficit but doubts remain about Congress's response

Weinberger stands his ground on defence cuts

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

"A DRAFT dodger in the war on the Federal deficit." That was how one Republican Senator, Mr Mark Hatfield of Oregon, scathingly chided Mr Caspar Weinberger last week for his adamant refusal to contemplate further cuts in the national's military budget.

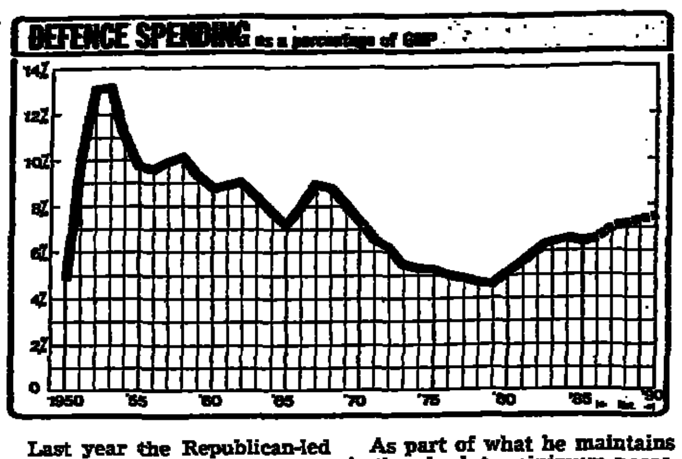
The amiable but tough U.S. Defence Secretary is used to being criticised for "intransigence" when he mounts his tenacious annual campaign to protect the Reagan military build-up from the budget cutters on Capitol Hill. This year, however, he faces fiercer opposition than ever before.

What Mr Weinberger is being told, by Republicans and Democrats alike, is that the Pentagon must shoulder its fair share of the burden if the budget deficit is finally to be brought under control. The savage cuts the Administration is proposing in domestic programmes will simply not be politically acceptable if defence alone is to remain unscathed.

At a time when most other programmes are being frozen, reduced or axed altogether, Mr Weinberger is seeking a real 5.9 per cent increase in defence spending authority, from $284.7bn in the current year to $313.7bn in fiscal 1986, which begins on October 1.

Outlays, on actual spending, would increase from an estimated $246.3bn to $277.5bn. Indeed, it is only by cutting other programmes by sums roughly equivalent to the defence increase that President Reagan has been able to achieve his aim of an overall budget "freeze" to attack the deficit.

The initial reaction among Senate Republican leaders, who have been drawing up their own alternative budget, was that if everything else was to be frozen, then defence should be frozen too. They are now backing away from that — on Sunday Mr Robert Dole, the Senate Republican majority leader, said that he felt that a real increase of 3 per cent would be about right. Nobody, however, believes that Mr Weinberger will get his 5.9 per cent — not even, it is reported, Mr Weinberger himself.



Last year the Republican-led Senate went for 7.5 per cent, the Democrat-controlled House for 3.5 per cent, and they settled at 5 per cent. If Republicans like Mr Dole are already down to 3 per cent, Mr Weinberger's figure looks like pure fantasy.

And yet Mr Weinberger has thrown himself into the fray with more relish and fervour than ever before. In the last few weeks he has conducted a virtually non-stop blitz of Congressional testifying, TV appearances and newspaper interviews, as well as about 70 private meetings with individual members of Congress.

Many of Mr Weinberger's arguments have a distinctly familiar ring. Defence spending, he maintains, is unique, "being the only part of the total U.S. budget determined solely by factors external to our nation." It should not, he says, be "tailored to fiscal needs."

There has, he argues, been no diminution in the Soviet threat or the continuing Soviet military build up — let alone, "the growing menace of international terrorism, regional instabilities and geopolitical uncertainties around the world." He has, he says, already pared spending to the bone, cutting his original request of just over a year ago by almost $36bn as the Pentagon's contribution to the deficit reduction exercise.

As part of what he maintains is the absolute minimum necessary for U.S. national security, Mr Weinberger is asking for $4bn for 48 more MX intercontinental missiles, $6.2bn for another 48 B-1 strategic bombers, and $4.7bn for a new Trident submarine and the new more accurate Trident 2 missile. Research and development, at $39.3bn, is the fastest growing item, fuelled by an almost tripling of funds for the "Star Wars" strategic defence programme, from $1.4bn to $3.7bn, rising to $4.9bn in 1987 and $6.2bn in 1988.

The U.S., he insists, must not return to the practice of stretching out weapons programmes, in the name of economy, which only ends up being more expensive. In the 1970s, for instance, he said at the weekend, the cost of the AWACs early warning aircraft rose by 44 per cent because its procurement was spread out over an extra four years.

By "staying the course," he said in his annual message to Congress yesterday, "we will progress towards a time, only a few years from now, when we can maintain adequate security without substantial increases in defence spending." The immediate prospect, however, is for further rises—the budget projections show a real increase in defence spending authority of 6.6 per cent in 1987 and 7.2 per cent in 1988.

Defence outlays, which represented 6.4 per cent of gross national product in 1985, will average just over 7 per cent over the next five years—not, the Pentagon says, "a disproportionate share of the nation's wealth." Moreover, says Mr Weinberger's report, while defence spending will rise to almost 33 per cent of the total federal budget in 1990, from about 30 per cent in 1986, this is relatively modest compared to the over 50 per cent of 30 years ago.

Again, the Pentagon says, it is not as if it could cut all that much more even if it wanted to. In its proposed 1986 budget, forces' pay and pay-related items will account for 42.8 per cent of the total, and spending under past authority, already approved by Congress, for 38.3 per cent. That leaves only 11.9 per cent for new investment in research and development, procurement of weapons systems and military construction, and only 7 per cent for current operations.

This year, however, the Pentagon is again seeking a large, 19 per cent increase in funds for weapons procurement, against only 7 per cent for personnel, operations and maintenance.

To these admittedly well worn arguments, Mr Weinberger this year is adding two new ones. The first is likely to carry some weight on Capitol Hill. It is that to cut defence spending now, just as a new round of arms talks is starting with Moscow, will undermine the U.S. negotiating position.

The second will be more easily dismissed. It is that Mr Reagan's landslide re-election in November has reinforced his mandate to rebuild American strength. Mr Reagan's rejection of the defence spending increase of only 3 per cent proposed by his Democratic rival, Mr Walter Mondale, in the election campaign "was one of the elements that went into the renewal of his mandate," claims Mr Weinberger. But Congressmen, including the 22 Republican Senators who must face the polls again in 1986, will be looking to the next elections, not the last ones.

Casp r Weinberger

That is the key political reality that Mr Weinberger has against him. If the deficit is not brought under control, many Republicans fear that it could be a major issue in 1986, when one-third of the Senate and the whole of the House will be up for re-election. They also sense that the strong mood of public support for the military build up has waned since the early years of Mr Reagan's first term. There is a growing feeling that national security depends on a strong economy as much as it does on the continued amassing of weapons.

Mr Weinberger's critics would add that while he has proved an excellent fund raiser for the military, he has paid less attention to how the money is actually spent. Despite Mr Weinberger's claims that "aggressive management" has reduced costs and increased competition for defence contracts, there are many on Capitol Hill who believe that waste and cost overruns are still endemic in Pentagon procurement.

Mr Weinberger has not always helped his own case. He has provoked cynicism with his claim that defence cuts do not help to reduce the budget deficit, and last week he angered a number of Congressmen by suggesting that those who sought defence cuts were being unpatriotic, almost to the point of treason, by seeking to "weaken the security of the country." And there is a general feeling on Capitol Hill that Mr Weinberger has been exaggerating—a feeling encouraged by last week's "goof," when he claimed that the Soviet Union had shot down one of its own stray missiles over Finland just as his own experts were denying it.

"How often do you cry wolf?", asked Mr Hatfield, who is also chairman of the Senate Appropriations Committee. Congress, he pointed out, had not met all of the Pentagon's requests in the past, and "it hasn't meant doom."

In fact, Congress has only cut an average of about $15bn a year from Reagan Administration requests, with much of the savings coming from lower inflation. A recent Library of Congress study estimated that Congress has approved almost 97 per cent of the military funds requested by the Administration since March 1981. And it has not, so far, axed any major weapons systems.

Mr Reagan, for his part, is once again supporting Mr Weinberger, as he has every year in the past, even at the cost of failing to reach his deficit reduction targets. "We've squeezed that apple pretty good." he said earlier this month, in arguing against further defence cuts. This time, however, Congress is no longer talking about squeezing the apple, but taking a large bite out of it.

HIGHLIGHTS OF CUTS

Aggregate spending freeze

1986 spending excluding debt service is $804bn—identical to the estimated 1985 level. Within this aggregate freeze, there are hundreds of policy-based increases and decreases at the programme account level.

Programme level policy measures used to achieve aggregate spending freeze.

Selective cost-of-living freezes: Military and civilian retirement, Federal pay and minor non-means-tested programmes. Food stamps, SSI, social security and veterans compensation and pensions exempted from cost of living adjustment (COLA) freeze.

Discretionary programme budget authority freezes: Applied to nearly every non-defence account as a minimum cut from current services. Selective accounts in the "plus" category involve additional, deeper policy-based reductions.

Major programme reforms: Includes entitlement and other mandatory spending changes in programmes like student aid, veterans health care, farm price supports, Federal retirement and navigation. These reforms produce savings substantially in excess of a freeze.

Selective programme terminations: 25 major programme and numerous minor ones are eliminated entirely. Examples include Amtrak, General Revenue Sharing, Small Business Adjustments (SBA), Export-Import Bank Direct Loans and Urban Development Action Grants (UDAG).

A 10 per cent administrative expense cut: Applied uniformly to nearly all non-defence operating and salary expense accounts. In many cases, actual savings will be achieved through Grace Commission recommendations.

Selective cuts beyond freeze level: Based on policy merits, many programmes of lower priority are retained but reduced substantially below the 1985 level. Examples include a 10 per cent cut in Community Development Block Grants, 10 per cent cut in energy R and D programmes, and a 40 per cent cut in soil conservation programmes.

FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT

	GNP	Receipts	Outlays	Deficit	Debt
	$bn	(as percentage of GNP)			
1970	969.0	19.9	20.2	0.3	28.4
1980	2,576.0	20.1	23.0	2.9	27.8
1981	2,886.0	20.8	23.5	2.7	27.5
1982	3,046.0	20.3	24.5	4.2	30.5
1983	3,221.0	18.6	25.1	6.4	35.4
1984	3,581.0	18.6	23.8	5.2	36.7
1985	3,869.0	19.0	24.8	5.7	39.1
1986	4,199.0	18.9	23.2	4.3	40.2
1987	4,551.0	18.9	22.6	3.6	40.7
1988	4,922.0	19.3	22.2	2.9	40.5

1985-1988 estimates . . . assuming proposals in 1986 budget message are enacted.

THE GROWTH OF FEDERAL DEBT AND NET INTEREST PAYMENTS

$bn	1980	1985	1986	1987	1988	1989	1990
Federal debt	914.0	1,841.0	2,074.0	2,308.0	2,547.0	2,764.0	2,975.0
Federal interest (net)	52.5	130.4	142.5	152.8	159.2	147.6	137.7

1985-1990 projected on economic and spending assumptions in 1986 budget message.

ECONOMIC FORECASTS*

	1984	'85	'86	'87	'88	'89	'90
GNP (nominal)	9.3	8.5	8.5	8.3	8.0	7.4	6.9
GNP (real)	5.6	4.0	4.0	4.0	4.0	3.8	3.6
Consumer prices	3.6	4.2	4.3	4.1	3.8	3.5	3.2
Unemployment	7.1	6.9	6.8	6.5	6.2	6.0	5.7
Interest rates (91-day Treasury bills)	9.6	8.1	7.9	7.2	5.9	5.1	5.0

* Percentage changes (fourth quarter to fourth quarter), except unemployment and interest rates.

MAJOR BUDGET COMPONENTS

Component	Enacted 1985 ($bn)	President's budget 1986	1987	1988
Social insurance programmes	$296.3 (30.9%)*	$309.5 (31.8%)	$328.8 (32.0%)	$351.1 (32.1%)
Means tested benefits	$69.9 (7.3%)	$69.1 (7.1%)	$71.6 (7.0%)	$75.5 (6.9%)
Other domestic programmes	$179.4 (18.7%)	$139.3 (14.3%)	$125.3 (12.2%)	$123.8 (11.3%)
Defence & national interest	$283.1 (29.5%)	$313.2 (32.2%)	$348.1 (33.9%)	$385.2 (35.2%)
Net interest payments	$130.4 (13.6%)	$142.6 (14.6%)	$152.9 (14.9%)	$159.2 (14.5%)
Total Federal outlays	$959.1	$973.7	$1,026.6	$1,094.8

* Share of budget total.

SUMMARY OF SPENDING REDUCTIONS*

Reduction Category	Budget Savings 1986 $	1987 $	1988 $	Total $	% of Total
1 Major programme Freezes & Reforms	16.9	26.2	32.5	75.6	32
2 State/Local Development & Fiscal Subsidies	3.8	5.7	6.5	15.9	7
3 Transportation Programs & Subsidies	2.3	4.8	6.4	13.5	6
4 Agriculture Reforms & Subsidies	5.6	10.5	12.7	28.8	12
5 Business, Commercial & General Subsidy Programs	5.8	8.1	9.5	23.4	10
6 Social Programme Terminations	0.9	1.8	2.1	4.8	2
7 Other Domestic Freezes and Cuts	3.6	7.2	10.0	20.7	9
8 Defence Savings	8.7	9.2	10.2	28.1	12
9 Debt Service Savings	3.3	9.3	15.5	28.0	12
Total Savings	50.8	82.7	105.3	238.8	100

*Reductions from current forecasts without policy changes.

Reagan's popularity crucial in high stakes game

BY STEWART FLEMING IN WASHINGTON

IF President Ronald Reagan is even to achieve his long proclaimed goal of shrinking the Federal Government and bringing soaring budget deficits under control, his best, and probably his last, chance hangs on the outcome of the political battle which began officially yesterday over the shape of the 1986 budget.

With his electoral triumph behind him, the President has the chance to use his formidable political popularity to adopt what is clearly a controversial strategy for checking the ominous growth of federal debt and for trying to reduce the debilitating $200bn a year budget deficits.

He has sent Congress a proposal which even his own party leaders say is politically unrealistic. Alongside a $31bn increase in defence spending, he is proposing a combination of a freeze or draconian cuts in most of the Government's outlays with the objective of reducing government spending as a share of Gross National Product from 25 per cent in 1985 to 21 per cent in 1988.

The question arises whether the President is making the best use of the window of opportunity offered by the American electoral cycle. The argument goes that this is the only year that Congress has the political room for manoeuvre to take the difficult and unpopular detailed taxing and spending decisions which would attack the structural deficit problem.

Next year, with looming mid-term Congressional elections and the Republican majority in the Senate in the balance, few political observers can imagine a Congress willing to risk the electoral retribution which might be invited by cutting Federal handouts.

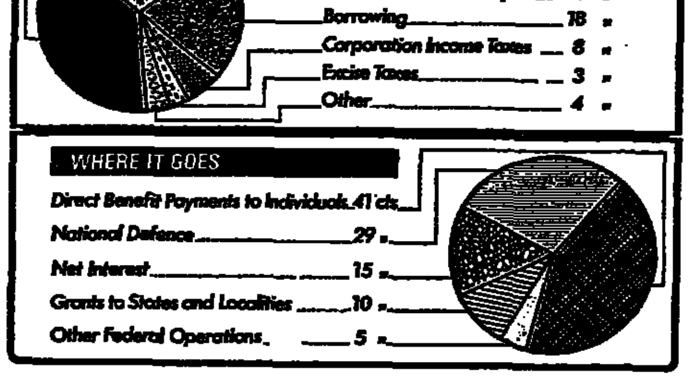
By 1987, Mr Reagan will be in the second half of his final term of office and probably unable to muster the political clout needed to impose his budgetary will.

Nonetheless, his proposals are a painful nettle for Congress to grasp this year. Interest groups across the country have already uttered screams of outrage at Mr Reagan's intention to achieve target savings of $75.5bn over three years by curbing spending on such social programmes as medical help for the elderly, child nutrition and subsidised housing.

The Reagan axe is also levelled at $15bn of state and local government subsidies and a $23bn cut in subsidies to business and commercial interests.

The President's motives for tackling the budget issue is this way are hotly debated. Some question the depth of his concern about the deficit after three years during which predictions of the threat it poses to he economy have been belied by events.

Others, however, maintain that Mr Reagan is concerned, and is well aware that if a "quick-fix" of the deficit is suddenly needed because of economic problems, Congress may resort to tax increases. That could undo what Mr Reagan views as one of his greatest successes, the first term tax changes which the Government estimates will save Americans some $650bn in taxes between 1984 and 1988.



Thus it is argued the President is simply following his traditional negotiating strategy of staking out the toughest possible bargaining position before the battle starts. In effect what he has done is to try to land Congress with the job of making the politically unpopular decisions—particularly on social security spending which would affect over 35m American pensions — partly to try to minimise the cuts in defence spending which he knows he must ultimately concede in order to win some of the other budget cuts he is seeking.

This interpretation of the Administration's strategy is born out implicitly by the economic analysis in the budget documents themselves which are starkly realistic about the dangers the U.S. is facing.

While claiming credit for helping to slow inflation to around 4 per cent, the Administration says that the value of the dollar has helped to subdue inflation. But it adds that "the dollar cannot continue to rise indefinitely," that current inflation rates are "a far cry from price stability" and that never in the post war period has the U.S. enjoyed so long a period of uninterrupted economic growth without an acceleration of the pace of inflation.

The budget message also notes the dangers inherent in the country's dependence on huge inflows of foreign savings to finance public and private capital needs. It warns that "should foreigners attempt to remove their purchases of dollar assets while we are still running a large current account deficit . . . the inflation rate (and interest rates) might temporarily rise as the dollar's exchange rate falls" and economic growth could slow.

In a break with the propaganda which came out of the Administration in 1984, the budget message links high U.S. interest rates with the huge budget deficit, and it expresses concern about the long term implications for productive private capital formation of the rapid accumulation of federal debt.

"Government bonds are not backed by real capital and do not represent any increment in capital for society . . . this is the essence of the crowding out problem. For a given level of private wealth the more that is accounted for by Federal Government debt the less will be the economy's total real capital stock.

The budget document even takes aim at the fervent supply side economists who have been among President Reagan's staunchest supporters. Economic growth alone, it implicitly states, will not solve the budget deficit problem.

To those who have suggested that the budget planners should assume 5 per cent real growth for the rest of the decade rather than the 4 per cent they have used, the budget points out that in the 1960s rapid growth of around 4.9 per cent a year ultimately unleashed strong inflationary pressures, that the long term economic projections already include optimistic assumptions about employment growth, and that the assumed rate of growth of productivity of 2 per cent a year which underly the assumptions is already much higher than in the 1970s.

"There is no hard evidence at all that (productivity) is approaching the much more rapid rates that would be required for real GNP to grow at 5 per cent a year or faster." machine thirty nine ....

As for the proposal that a more stimulative monetary policy could clear the way for a faster economic expansion, the budget says "it is wrong to assume that because a stimulative monetary policy can produce a rapid rate of real economic growth in the early stages of a business cycle recovery it is capable of producing rapid growth at any stage of the cycle."

Thus the budget itself spells out clearly what most economists are saying and many on Capitol Hill fear, namely that America is walking along the edge of an economic precipice, accumulating deficits and debt at an unsustainable pace with ominous implications for the American and world economies.

The question which has yet to be asked, however, is whether after the failure of the past three years, the American political system can, in the absence of a palpable crisis, finally take the tough decisions which most agree are needed. Failure by a President at the height of his influence and popularity to achieve one of his highest stated priorities will revive questions about the power of the office and cast a pall over the financial markets.

Dissident Peronists oust leaders

BY JIMMY BURNS IN BUENOS AIRES

THE PERONISTS, Argentina's major opposition grouping, yesterday suffered a historic split when a majority of dissident members voted overwhelmingly to oust the bulk of the party's leadership.

At the end of a hectic two-day meeting near the northern town of Santiago del Estero, over half of the Peronist party's 685 person convention agreed to set up a provisional national council to represent the party in the mid-term parliamentary election on November 3.

The dissidents, who include 10 provincial governors, most of the party's parliamentary group moderate trade unionists and student groups, also agreed to implement wide ranging internal reforms.

These include a system of indirect voting by militants aimed at making the future leadership more responsive to the party's grassroots along broadly social democratic ideological lines.

The move challenges the orthodoxy and personal patronage that has guided the Peronist party ever since it was founded in 1947 by the late General Juan Peron. It brings to the surface a bitter power struggle which was stimulated by the party's crushing electoral defeat in October 1983.

The dissidents meeting was an open snub of the party's "official" acting leadership which on Friday held a poorly attended Congress of its own in Buenos Aires.

Less than half of the party's national convention turned up to vote in favour of a motion backing the current leadership's efforts to secure the unity of the party's rival factions.

The weekend development means that the Peronists would almost certainly be embroiled in legal battles in the coming weeks as each faction argues its legitimacy before the electoral court.

Most political observers believe that the split will ensure a sweeping victory for the ruling Radical Party of Sr Raul Alfonsin when over half of the Chamber of Deputies comes up for re-election in November.

Nevertheless, the Peronist controversy could undermine the Government's efforts to secure a social contract on prices and incomes, if, as seems likely, the leadership struggle is passed down into the Peronist-dominated trade union movement.

Contrary to what was expected, the dissidents did not at the weekend debate a formal motion of no confidence in Sr Maria Estela "Isabelita" Peron, the general's widow, who has exercised an ineffectual titular leadership from Madrid since she was first exiled there by the former military regime in 1981.

However, the dissident challenge to the party's Buenos Aires-based acting leadership is an indirect rebellion against the kind of orthodox politics implicitly favoured by General Peron's only surviving political heir.

The acting leadership challenged by the dissidents include Sr Lorenzo Miguel, one of the few union bosses surviving from the Peron years, and the recently re-elected Secretary General of the powerful Metal Workers Union.

Ecuador 'to raise future loans on normal basis'

BY PETER MONTAGNON AND HUGH O'SHAUGHNESSY

ECUADOR WILL no longer need to force commercial bank creditors to grant it loans following this year's agreement to reschedule $4.3bn (£3.8bn) in debt falling due between 1985 and 1989, Sr Francisco Swett, Finance Minister, said in London yesterday.

Future loans will be raised on a normal voluntary basis only, although the amounts needed will be very small and Ecuador will turn mainly to organisations such as the World Bank and Inter-American Development Bank to meet its financial requirements, he said.

This year's current account balance of payments deficit is projected at $208m and the payments balance should fluctuate close to that level for the rest of the decade, reaching $257m in 1990, Central Bank figures show.

Sr Swett said the forecasts assume an oil price of $26 per barrel, $1 more than the price Ecuador is now receiving.

But this shortfall is more than offset by an overly conservative forecast of interest costs. Ecuador has assumed an interest charge of 13 per cent on its $7.3bn foreign debt, about 2¼ per cent more than it is actually paying.

The interest margin on its 12-year rescheduling has been set at 1¼ per cent over eurocurrency rates. In addition, Ecuador is to receive a $200m bank loan negotiated last year and the maturity of its $700m short-term trade finance facility is to be extended for a further year.

As part of its return to voluntary borrower, Sr Swett said that Ecuador would like to raise an extra $150m in trade finance from commercial bank creditors.

Ecuador's new President Leon Febres Cordero has adopted a much less radical approach to the foreign debt issue than his predecessor who was one of the founders of the so-called Cartagena group of Latin American debtors.

"There is no practical possibility of taking a common approach where debtors negotiate collectively," Sr Swett said.

Debtor nations to seek summit

BY ROBERT GRAHAM IN SANTO DOMINGO

America's 11 leading debtor nations gathered here this week are expected to co-ordinate their position on holding a summit with the industrialised countries to consider the region's $350bn (£313bn) foreign debt.

This is the second time that the 11 countries have met since first defining a common debt position in Cartagena, Colombia, last June.

Experts began meeting here yesterday and sessions of foreign and finance ministers will be held on Thursday and Friday.

At the last meeting in Mar del Plata, Argentina, in September, the group—Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, the Dominican Republic, Uruguay and Venezuela—agreed to press for a summit in the first half of 1985.

The main difficulty facing the delegates is the so far half-hearted response by the industrialised nations towards their summit idea.

The big debtor countries, Brazil and Mexico, which have so far acted as a moderating force, are anxious that nothing be done until April.

The Brazilian delegation said yesterday it was best to await the outcome of reports being prepared for the IMF Interim Committee, and the World Bank Development Committee, due in April.

These reports followed last autumn's IMF and World Bank meetings and were a belated response to the discussions held in London at the June economic summit of industrialised countries.

Awaiting the outcome of these committees makes it difficult to arrange a summit before the summer, and some of the delegations are uncertain whether the industrialised countries will agree either to a top level meeting or a meeting that will be specifically concerned with Latin American debt.

This is why more radical countries like Argentina, Bolivia and Peru are keen to keep up the momentum and try to ensure that this meeting of the "Cartagena group" obliges the industrialised countries to take their problems seriously.

The difficulties faced by Latin America's smaller debtors are underlined by the plight of the host country. Last year 60 people were killed in riots during protests against IMF-imposed austerity measures and last week there were violent demonstrations against a new round of basic price increases.

● A 24-hour general strike has paralysed Bolivia and only emergency services at hospitals, airport, and public utility companies are assured, union officials said.

All other sectors were shut down by the strike called by the Labour Federation to press for payment of a government-ordered 200 per cent wage rise for industrial workers.

Airline given leave to appeal

HIGHLAND Express Airways, which plans to start a transatlantic air service from Prestwick, Ayrshire, was yesterday given leave in the High Court in London to challenge the Civil Aviation Authority's refusal to grant the company an air transport licence.

UK NEWS

£ worries exaggerated, says Bank governor

By Our Financial Staff

WORRIES IN financial markets about the impact of a strong dollar and oil price uncertainties on sterling "have been greatly exaggerated," Mr Robin Leigh-Pemberton, Governor of the Bank of England said last night. The authorities' reaction in pushing interest rates up sharply should, however, have left no doubt about their determination to conquer inflation, he added.

Mr Leigh-Pemberton, who was addressing the annual banquet of the Overseas Bankers Club, also claimed that the gyrations of the foreign exchange markets "do not have their origins in developments in the real economy, where we continue to make steady progress."

The Governor also saw progress in resolving the *international debt* situation, where many countries had got their foreign payments into better balance. Much of it had been helped by the burgeoning U.S. trade deficit and falling dollar interest rates, which might not persist. He also saw less evidence of internal adjustment. Many programmes instituted by the International Monetary Fund (IMF) were not being observed, and arrears to the IMF were growing.

He was also concerned about the growing practice among banks competing for international loan business to accept slim margins or make *off-balance-sheet* commitments without proper capital backing.

"Bankers would be well advised to examine closely the extent of these risks and to consider carefully the appropriate price to charge of them," he said.

Gas reserve estimates may be 20% too low

BY IAN HARGREAVES

A SIGNIFICANT upgrading of Britain's natural gas reserves is expected to be disclosed shortly by the Government, underlining the official view that Britain does not need a large tranche of imported gas to replace supplies from the Norwegian Frigg field.

The record level of drilling in the North Sea last year, much of it in the gas-prone area of the southern basin, has apparently convinced Department of Energy statisticians that the gas reserve figures published last May in the Brown Book on oil and gas resources are about 20 per cent too low.

The last Brown Book put remaining proven and probable UK Continental Shelf reserves at 40.6 trillion cubic feet (tcf). In addition, 19.1tcf of gas was identified as possible and between 6.5tcf and 20.1tcf as likely to be available on statistical grounds, from undiscovered fields.

The revised figures will take the Government closer to estimates of gas reserves made by the oil companies, which have been leading the argument against British Gas's plan to import $30bn of gas from Norway's Sleipner field.

Although it is difficult to compare rival estimates of UK gas reserves, because they are compiled in different ways, the Brown Book estimates have generally been at the bottom end of the range. British Gas's own figures are in the middle of the range and British Petroleum's at the top.

Demand for gas is running at 1.8tcf a year, suggesting that the present UK proven and probable reserve base has a life, unsupplemented by imports, of between 25 and 30 years.

The Government will undoubtedly use its new figures to bolster its arguments against the proposed Sleipner deal. Sleipner contains about 7 tcf of gas.

Another deadline passed in the Sleipner saga last week, when the Government failed to honour an undertaking given privately to Mr Kaare Kristiansen, the Norwegian Energy Minister, that Britain would make up its mind about the Sleipner deal by the end of January.

Indications in Whitehall yesterday, however, were that a decision should come in the next few days. The initial commercial contract between British Gas and Statoil was signed in mid-February last year.

British Gas does not accept that an upgrading of UK reserves undermines the case for Sleipner. It argues that in a gas market as a large as Britain's, a large import cushion is desirable. It also expects *gas demand to rise from* 1.8tcf a year to more than 2tcf a year.

Some oil companies argue that British Gas wants the large Sleipner import mainly in order to hold down the price it has to pay for UK gas supplies, and that this in turn inhibits development of UK gas fields.

With tax revenue from oil production expected to peak next year the Treasury is anxious that the gap in the 1990s is filled as much as possible with tax revenue from UK gas

Shell/Esso to develop Tern

BY DOMINIC LAWSON

APPROVAL *for* a £1bn North Sea oilfield development is to be announced later this week by the Government.

The Shell/Esso North Sea joint venture will be given approval to develop the Tern oilfield, which contains recoverable reserves of about 165m barrels of oil and 40bn cubic feet of gas.

Oil analysts at stockbrokers Wood Mackenzie estimate that the field might be producing oil in early 1989, and reach a peak of 50,000 barrels a day. That would make Tern one of the biggest North Sea oilfield developments to be announced in the past *few years.*

The Tern field was discovered about 75 miles north east of Shetland, in 1975. However, it has been subject to a certain amount of controversy since then. In 1982 Shell publicly shelved the project, and in large measure blamed that decision on what it saw as a too severe North Sea tax regime.

The changes in North Sea oil taxes in the 1983 budget — giving greater tax reliefs for *new field developments* — are, therefore, thought to have influenced the present decision to develop the field, which has an unusually complex reservoir:

The Tern oilfield platform is expected to be of conventional steel design.

Telecom will have '£1.5bn for acquisitions'

BY JASON CRISP

BRITISH TELECOM (BT) would have £1.5bn to spend on acquisitions over the next four years even if it keeps its borrowings at their current level, according to stockbrokers de Zoete & Bevan.

In a new report on British Telecom, de Zoete has increased its profits estimate significantly. It expects BT pre-tax profits to rise to £2.47bn in the financial year to *March 1989* compared with the £2.13m it predicted last year.

Even so, the rate of growth in profits is expected to decline year by year and will only just be 10 per cent in 1989 compared with 19.8 per cent forecast for this year.

De Zoete was one of the brokers to the BT offer last year and produced what was probably the most comprehensive report on the company *last June.* It also made the most accurate prediction on BT's half-year figures announced last month.

De Zoete has increased its forecast because of lower expectations in earnings. In addition, it increased the profits forecast in pension contributions that became clear only in the prospectus.

The report says: "Although our revenue forecasts are virtually the same as before (9 per cent per annum) the mix of revenues is much improved. A higher proportion will now come from less competitively exposed areas such as local calls and line rentals and smaller proportion from national (trunk) calls and BT International. As a result of the changed mix of revenues, the earnings are now of better quality, BT will be less exposed to 'cream skimming' from competitors."

UK NEWS

Westland lobbies for its future

Bridget Bloom, Defence Correspondent, reports on the problems of the UK's only helicopter maker, which is pressing for defence orders to fill a potential sales gap.

WESTLAND, Britain's only maker of helicopters, is putting the Ministry of Defence (MoD) under intense pressure to buy its new troop-transporting Westland 30 (W30) aircraft.

"We are conducting high-pressure lobbying with the MoD and anyone else who will listen," the company said yesterday, acknowledging that a sale might be very important for its future. "But we are not asking for charity; we are playing to win."

Westland's immediate problem – which led to weekend reports that the company was facing a crisis and the MoD was considering a rescue – centres on how to fill a gap in its production line for three or four years from late 1986. For the next 18 to 24 months, Westland has orders for the Sea King, Lynx and Gazelle helicopters, which were developed 15 years ago and are being phased out.

The company believes its future after 1989 will be assured through sales of its new aircraft known as the EH 101. That is being developed in both a military and civil version with Agusta of Italy. The prototype will fly in 1986, but production will probably not begin in earnest until 1989.

Westland – which is based in Yeovil, south-west England – has been aware of the approaching gap for some time. It claims it is stepping up pressure on the MoD to buy the W30 because it believes that Mr Michael Heseltine, the Defence Secretary, is within months, if not weeks, of taking a final decision.

It remains to be seen whether that is the case. Certainly Westland is aware that its prospects of landing a contract are complicated by the minister's desire to see greater competition within defence contracting.

Almost a year ago, Mr Heseltine asked not only Westland but its competitors to submit proposals for what is known as Air Staff Target (AST) 404, which would replace the RAF fleet of about 60 ageing Wessex and 40 Puma helicopters deployed to ferry troops. The contract might be worth, with spares and training, as much as £500m.

The companies that responded were Short Brothers of Belfast, in association with the U.S. Sikorsky company, offering the Blackhawk (which the RAF apparently likes) and the French company Aérospatiale, offering an advanced version of its Puma.

Whether or not Westland is facing a crisis, orders from the MoD for the W30 would make a great difference to its fortunes over the next few years. The helicopter market has been in the doldrums for several years and last year Westland's group turnover was down from £325.98m to £296.25m.

The decline – by £34.65m to £216.8m – occurred wholly in the helicopter and hovercraft division. The technologies division showed a slight rise in sales from £78.39m to £81.71m. Pre-tax profits of the group fell from £26.09m to £2.75m.

Last year's annual report noted orders on the books of some £670m, or sufficient for around two years' work. But the report also indicated that the helicopter division was working below capacity: 12 Sea Kings were delivered; a near-capacity figure due to replacement orders from the MoD to make up for losses in the Falklands war. But 24 Lynx could have been built, against the 12 that were delivered, while only seven Gazelles were delivered.

The company says that, by 1987, its orders from the MoD, without the W30, are likely to be no more than 15 per cent of the level in the last few years. The MoD accounts for 90 per cent of its helicopter business.

Westland hopes to produce the W30 both as a civil and military aircraft. The Department of Trade and Industry has invested £40m in its development (and is reportedly backing Westland's case to the MoD). The company estimates the MoD's underlying investment at about £130m and its own at £30m.

Westland has sold the W30 to civil airlines, including British Airways, and could produce one a month at least from now until 1989. The company argues that even a firm commitment by the MoD to buy later would help, by enabling it to secure export orders (defence companies say equipment is more saleable if it has been bought by the British armed services). The only existing order, not yet certain, is for 21 from India.

The MoD yesterday would only say that it understood Westland's position but that a decision had not yet been made.

For Mr Heseltine, Westland's predicament poses a dilemma. In the old days of relatively high defence expenditure, with concern for Britain to retain a broad-based defence industry Westland would have won the contract.

It might still. The company announced in August that it would lay off 700 workers over the next 12 months: 300 have gone and 400 are to go later this year. If it does not win the W30 orders, probably more will have to be laid off.

Mr Heseltine, however, has been pursuing policies over the past two years that are expressly designed to make defence contracting more efficient, particularly by introducing more competition. Hence the Defence Secretary's insistence on asking for proposals from Westland's rivals.

The policies are also designed to rationalise Britain's defence industrial base, particularly by encouraging collaborative production with European countries. On another longer-term project for RAF for the 1990s – the acquisition of a light attack helicopter – Mr Heseltine is keen to encourage British participation in either an existing Italian venture, or the planned Franco-German PAH 2 project.

There are also suggestions that Mr Heseltine may decide not to buy replacements for the Wessex and Pumas preferring to wait until a co-operative venture can be worked out.

Those who suggest he might take that course also note the RAF's strained budget, caused principally by cost overruns on the Nimrod early warning aircraft.

For the present, Mr Heseltine is caught in a dilemma: Westland may put in a cheaper bid than either Aérospatiale or Short/Sikorsky, in which case its production line gap can be plugged and the demands of competition met. But there is no way the line can be filled if the collaboration policy is to be carried out fully.

There is as yet no indication what Mr Heseltine will do, although there are those who suggest that he may award Westland part of the contract, and then insist that the company joins its European counterparts to design and build a common transport helicopter for the 1990s.

Railway station sites offered to retailers

FINANCIAL TIMES REPORTER

BRITISH RAIL is trying to tempt some of the UK's largest retailers into taking shop space within station premises.

A number of store operators are said by British Rail to be interested in the possibilities of siting U.S.-style convenience stores at stations.

A spokesman for British Rail's property board said a publicity campaign that had just been launched aimed at expanding the range of retail ventures at railway stations.

"We think station retailing should not just be about catering and newsagent kiosks," he said.

More than 300m passengers pass through British Rail stations every year. British Rail believes that such people, and those who live close to the stations, add up to a substantial market for retailers.

Rents from station retailers in 1983 totalled some £8m. British Rail hopes to at least double that amount in the next few years.

U.S. expects more British visitors

BY ARTHUR SANDLES

THE U.S. is expecting more British visitors this year than last in spite of the soaring dollar and the wavering pound.

American tourism officials are looking to the UK, West Germany and France as elements of a minor revival in the number of foreign visits to the U.S. Last year, as the dollar strengthened, the number of overseas tourists dipped by 4 per cent to 20.8m. Now the prediction is a return to 1983 levels at 21.7m. Britain should account for about 1m of those.

U.S. optimism comes with the production of a Gallup survey in the UK, West Germany and France showing that the U.S. is still the country that heads the list of destinations that residents of those countries most want to visit.

At a transatlantic satellite press conference yesterday, U.S. officials, headed by Mrs Donna Tuttle, Under-Secretary of Commerce for travel and tourism, spoke to journalists in London, Frankfurt and Paris, outlining the findings.

The survey shows that exchange rates are a serious barrier for U.S. tourism. They were mentioned as a problem by 62 per cent of the British respondents, 53 per cent of the German and 36 per cent of the French.

Of the places visitors most wanted to visit, the British put the Grand Canyon first, most Germans wanted to visit Hawaii, while the French favoured California.

There was a remarkable coincidence of expected spending rates on a U.S. holiday. The Germans said a 26-day stay would cost about $1,694, the British $1,690 for 22 days and the French $1,442 for 27 days.

UK NEWS

ANALYSTS ASSESS OUTLOOK FOR STERLING

Interest rates 'unlikely to drop back below 12%'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

UK INTEREST rates are unlikely to fall back below 12 per cent for some time, according to most analysts in the City of London.

After the rise of banks' base lending rates to 14 per cent last Monday, the City has been anxiously trying to assess the stability of sterling and the new mood of the authorities.

Yesterday, the broker James Capel said in its latest UK Economic Assessment: "The change of stance of the authorities apparently opens the way to even higher rates (of interest) if sterling comes under further substantial pressure."

Capel says the state of the City's confidence in the fundamentals of domestic policy "is likely to permit only a gradual reduction in interest rates.

"Evidence of monetary growth returning within its target range and public expenditure (and the Public Sector Borrowing Requirement) well under control will be necessary to re-establish confidence.

"This is perfectly feasible, but it will not happen overnight. This points to the average level of interest rates remaining high in the first half of the year, despite a reduction from current 'crisis' levels."

Mr Stephen Lewis, monetary analyst for the broker Phillips and Drew, said: "The markets are accommodating themselves to the new thinking, which is that base lending rates are not likely to come down substantially for some time."

The broker Laurie Milbank says in its Economic Review that the most worrying aspect of the recent weakness of sterling is that the outlook for inflation is beginning to deteriorate, while there is still no genuine sign of a downturn in unemployment.

The broker adds that if the Chancellor of the Exchequer succumbs to political pressure to make extravagant tax cuts in his budget, the UK economy would be in danger of drifting towards Reaganomics.

It adds that even if the influence of oil prices were removed from the UK monetary scene, any improvement in UK gilt-edged (government) stock prices must stem from domestic factors, since U.S. interest rates are likely to move upwards again towards the second quarter of the year.

Messel and Co says in its weekly Economic Monitor that the Chancellor must go for a fairly tight budget. It adds: "The loss of financial confidence has been one reason for the emergence of very high real interest rates.

"In this sort of environment, any government running a budget deficit is likely to end up in a debtor's nightmare where interest on past debts grows explosively and overwhelms attempts to control other items of public expenditure."

Messel adds that deterioration of financial confidence has raised expectations about future inflation as well as real interest rates. It believes the inflation rate should touch 6 per cent at some time in the summer.

Rowe and Pitman in its Economic Review says that today's money supply figures will be crucial for the markets' perception of what the monetary stance actually was during last month's sterling crisis. That is because previous figures had been distorted by the effect of the flotation of British Telecom.

Mr Ian Harwood, the broker's economic analyst, said that the authorities would be anxious to maximise gilt-edged sales in the present banking month (ending February 20), to make sure the next money supply figures are good.

Sales of diesel cars nearly double in year

By John Griffiths

DIESEL CAR sales in the UK almost doubled last year to 45,386 compared with 24,602 a year earlier.

Their share of the total new car market, at 2.6 per cent, remained small compared with most continental European countries, where, according to Ford, more than 20 per cent of cars sold in Italy, Spain and Belgium are diesels and more than 10 per cent in West Germany, France and Ireland.

The introduction by Ford and Vauxhall of diesel-engined versions of their volume cars has given a sharp impetus to UK sales.

● The UK retail motorcycle trade is moving back towards profitability despite a continuing low level of sales, according to a survey of 400 dealers undertaken by the Motor Agents' Association.

Short wins Chinese order for eight aircraft

BY OUR BELFAST CORRESPONDENT

SHORT BROTHERS, the state-owned Belfast aircraft maker, has received an order from China for eight aircraft.

The Civil Aviation Administration of China (CAAC) is to buy the 36-seat 360 regional airliner as part of its programme to expand and update the fleet of civil aircraft.

It is Short's first order from Peking and the first sale of an all-British aircraft to China since orders for Tridents were placed in the early 1970s. Orders and options for the 360, which was launched in 1981, now exceed 100.

Short said there was a possibility of further orders from CAAC. It put no value on the sale, but it is understood to be worth more than £30m, and will help to secure the jobs of many of Short's 6,500 workers after a year in which sales of the 360 were lower than expected.

Sir Philip Foreman, Short's chairman and managing director, said the CAAC was updating its fleet and extending its routes. Short had the right aircraft at the right time and he hoped the sale would be the start of a long relationship

The aircraft will all be delivered this year to join fleets of recently acquired Boeing 737s and McDonnell Douglas MD-80s. The Short aircraft will provide feeder services to main airports.

Short has already penetrated the Far East with sales of 360s to Malaysia and the smaller 330 to Thailand. It believes the Chinese order will give it a solid foothold in a market hotly contested by rival manufacturers from Canada, Sweden, Brazil and Spain.

Whitehall plans help for small businesses

By Ian Hamilton Fazey and William Dawkins

THE GOVERNMENT will shortly receive proposals for cutting some of the bureaucracy that Whitehall believes is seriously hampering the emergence of new businesses.

The report, drawn up by a committee that includes members of seven government departments, is expected to be finished by the end of next week.

Recommendations will be submitted to Mrs Margaret Thatcher, the Prime Minister – who has declared a special interest in their implementation – and to Mr David Trippier, the minister for small businesses.

The most controversial feature of the report is that it is unlikely to make any suggestions for alleviating the burden of value-added tax (VAT), which a number of surveys has shown to be the biggest obstacle for small businesses.

Many ministers, including Mr Trippier, would like to see the VAT threshold raised from £18,700 turnover a year to £50,000 or even £100,000. But the Treasury insists that VAT is a matter for the budget and not for deregulation reforms. The Government's present policy is to raise the VAT limit according to inflation at each annual budget.

The European Commission, meanwhile, is putting pressure on Whitehall to reduce the VAT limit. It points out that the UK is out of step with the rest of Europe and that its VAT threshold is the second lowest in the Community after Ireland.

The scrutiny committee's report is likely to concentrate on cutting other kinds of bureaucracy. It is expected to suggest ways in which planning permission could be easier for small businesses to obtain. Less onerous requirements for company registration are also believed to be among the proposals.

The committee is also likely to suggest that the Government's enterprise allowance scheme should be extended. The basic requirements are that self-employed applicants who have £1,000 to put into their ventures can qualify for a £40-a-week subsidy.

The committee is understood to wish to retain those rules, but to make more money available so that the existing backlog of applications can be cleared quickly.

DF/85/01

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THE ARTS

Japanese art/William Packer

Potent and magical symbolism

I write this piece in Tokyo towards the end of a study tour of Japan that already has lasted more than two weeks without a pause, most of it on the road. Eight of us from the British art world, the rest directors or curators, are here as guests of the Japan Foundation to see as much as possible of the art of Japan, old and new, and the museums and institutions which support and celebrate it—and to see it all against the broader culture from which it sprang.

Coming to it all not entirely unprepared, nor unprejudiced exactly, but certainly with fresh eyes, our views may not fall quite into focus with those of our hosts—some of what we have seen surprises and excites us, some of it worries us—but that is all in the spirit of the exercise.

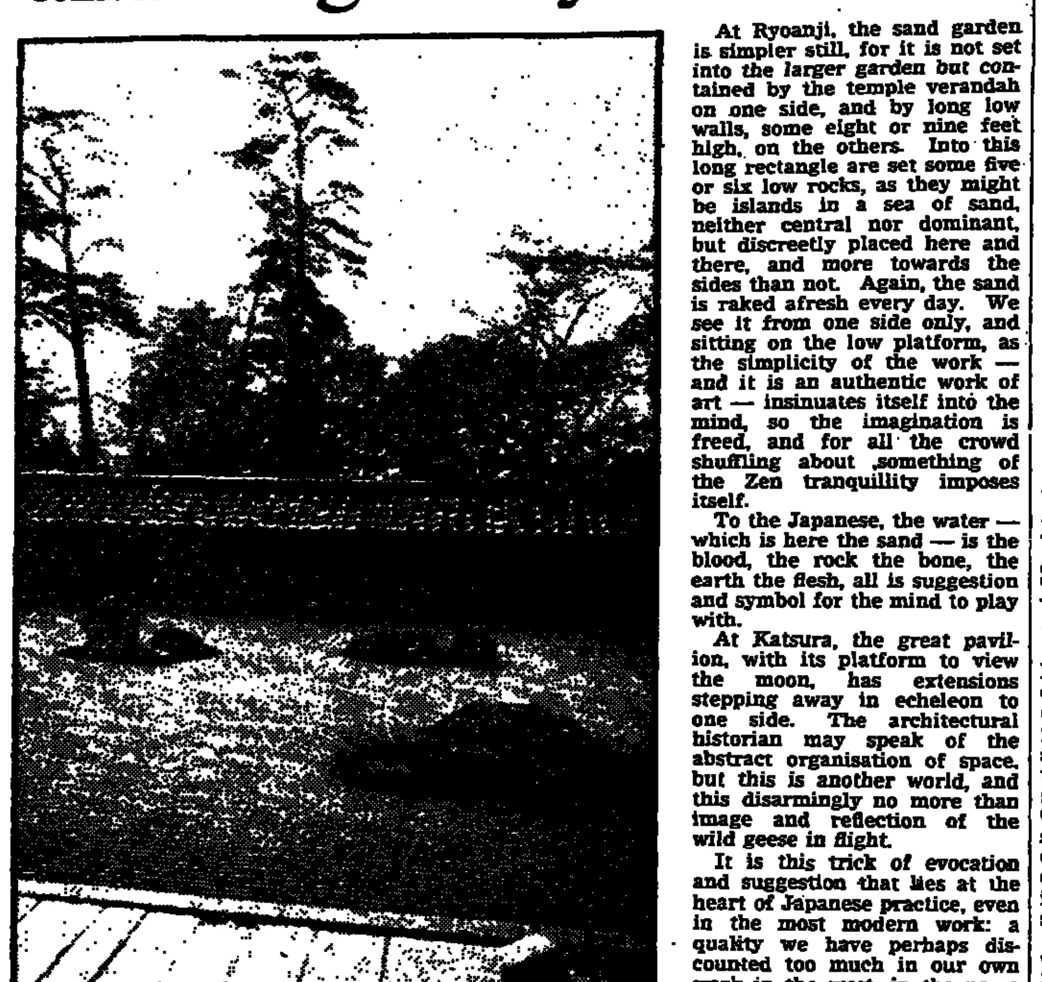
But no visitor worthy of Japan can come here and not be drawn to and then staggered by its cultural inheritance, by the power and beauty of its art and architecture, and the vitality and inventiveness of its creative tradition. So strong is it indeed, that many Japanese artists today take it more as an inhibitor and constraint than a natural support, which is understandable enough but a dangerous alienation if unresolved; for no artist can work in a vacuum, cut off from formative and instinctive experience, least of all in conformity to generalised and rootless international stimulus. An artist can only work truly from what he knows.

The odd thing is that so much of the old art of Japan strikes such a resoant chord upon the modern sensibility, or so it does to one formed outside Japan.

We have been these past few days in Kyoto, with an excursion yesterday to Nara. We were taken to the Katsura Imperial Villa, a pleasure pavilion of the early 17th century with its succession of seasonal tea houses set in an exquisite garden to the temple of Myoshin-ji, with Ryu, its guardian dragon painted on the ceiling of the lecture hall, changing his mood as one moves round the huge room, to Ryoanji, with its Zen garden of raked sand and isolated stones: to the Ginkaku-ji, the most perfect pavilion beside the water, and its white sand garden; to the Kozan-ji high in the mountains beyond the city, old, tiny and exqusite; the carving of Miroku-Bosatsu, of the 7th century, at the Koryuji—and so on.

It would be all too easy to condescend too much, and bring to bear on these ravashing things only a detached and superior western aestheticism, but even so these are potent and magical things.

Why does a topped cone of silver sand, some five feet high, affect us so, an image devised centuries ago, and remade afresh every day? A minimalist critique might allow the simple disposition of form in space, and ideas of displacement and relation, but to the guide it is plain enough: the pile of sand the mountain, and the furrows of the raked sand beside it the waves of the Western Sea.



Ryoanji rock garden, Kyoto

At Ryoanji, the sand garden is simpler still, for it is not set into the larger garden but contained by the temple verandah on one side, and by long low walls, some eight or nine feet high, on the others. Into this long rectangle are set some five or six low rocks, as they might be islands in a sea of sand, neither central nor dominant, but discreetly placed here and there, and more towards the sides than not. Again, the sand is raked afresh every day. We see it from one side only, and sitting on the low platform, as the simplicity of the work — and it is an authentic work of art — insinuates itself into the mind, so the imagination is freed, and for all the crowd shuffling about ,something of the Zen tranquillity imposes itself.

To the Japanese, the water — which is here the sand — is the blood, the rock the bone, the earth the flesh, all is suggestion and symbol for the mind to play with.

At Katsura, the great pavilion, with its platform to view the moon, has extensions stepping away in echeleon to one side. The architectural historian may speak of the abstract organisation of space, but this is another world, and this disarmingly no more than image and reflection of the wild geese in flight.

It is this trick of evocation and suggestion that lies at the heart of Japanese practice, even in the most modern work: a quality we have perhaps discounted too much in our own work in the west, in the name of a dubious modernist purism and distrust of external reference. In Japan the old raku tea bowl is given its own particular name and the most abstracted and elusive of marks and blobs on an ancient scroll conjure up a most wonderful image of cherry blossom. The wooden sculpture of Miroku-Bosatsu in Yyoto is a splendidly clever piece of design and formal organisation, but it is so much more than that — leg balanced delicately upon knee, fingers lightly brushing the cheek, head and eyes just cast down, and altogether deep and lost in thought. It is a profound and very beautiful human image.

Italian opera/Bologna and Milan

William Weaver

For several years—until last spring—the historic Teatro Comunale in Bologna was dark. Or rather, it was closed to the public, while inside, teams of workmen were busy restoring the lovely Bibiena hall. Now, with restoration almost complete, the Comunale has launched its new season and the house is back in normal, working order. First of all, it is a relief to be able to say that the restoration has been carried out with great tact. When one thinks of what has been done to some Italian theatres (the lovely old Teatro Argentina in Rome is a particularly dire example), the simple elegance of the refurbished foyers and the faithful work in the hall itself seem almost miraculous.

And after several disappointments in more glittering gala openings this season, it was a pleasure to attend the Comunale's initial production: a staging of Gluck's rarely-done *Armide*. For the occasion, the theatre did not summon international superstars, but called instead on a scholar-musician, Alan Curtis, who prepared the edition and conducted it.

The word "scholarship" makes some opera-lovers reach for their revolvers (or for their pep-pills), but there was nothing dry or lifeless about Curtis's performance. This is not to say it was flawless: in the title role Raina Kabaivanska looked lovely and moved with noble yet seductive grace; but the voice was the opposite of seductive: hard, at times shrill. Her confidantes, Gloria Banditelli and Daniela Mazzucato, on the other hand, were pert and charming, vocally at ease. As Renaud (or Rinaldo, as he is more often called), Jeffrey Thomas was musical and stylish, though his voice was light, colourless. The smaller roles were well-cast.

The choreography did little to enhance Gluck's splendid ballet music; and Filipo Sanjust's sets and costumes, handsome in themselves, sometimes erred on the side of coldness (in the magic pastoral of Act 2, a bit of greenery would have helped). But, by and large, the production moved well—Sanjust was also the producer—and was never flashy or vulgar.

In *Carmen*—the opera that opened the season at La Scala—a bit of vulgarity is all right. But Piero Faggioni—responsible for staging, sets, lights, and (with Maurizio Millenotti) costumes—is a producer with big ideas. As he announced in various interviews, he felt that the part of Don José is usually neglected and the tenor should be restored to centre-stage. As justification, Faggioni cited the original Merimée story.

Thus La Scala's *Carmen* is "seen" as a series of flashbacks from José's prison cell. The flashback idea (also used by Zeffirelli in his recent *Traviata* and by Ponnelle and others elsewhere) is getting very tired; and in Faggieni's case is served only to keep the stage dark a lot of the time and to compress most of the action among three walls. This was vulgarity, but the wrong kind.

In the title role, Shirley Verrett was sadly miscast. Vistually, she was a sedate, matronly gypsy; and vocally she was all over the place. For admirers who know what a magnificent artist she can be, this was a painful occasion. And her difficulties seemed to affect the rest of the performance. Claudio Abbado conducted an uninspired orchestra, which was not always together with the chorus. Even Domingo—the best of the principals—sang as if he had just stepped off a plane (he missed nearly all the rehearsals in fact); and Ruggero Raimondi belted out the Toreador Song as if he were participating in a hog-calling contest. The Micaela, Alida Ferrarini, won a huge ovation, and deservedly. The voice is not really exceptional, but it is sweet and true and she uses it tastefully. And, in this *Carmen*, that was enough to make her a heroine.

The second week of La Scala's season featured the first performance of the theatre's ballet in a revival of Prokofiev's *Romeo and Juliet*. The Cranko choreography, restaged by Georgette Tsinguirides, hast lost much of its snap; and there was a perfunctory quality about the performance. Again, the orchestra—under Michel Sasson—did not play at its best. Anna Razzi was a mature Juliet, and Marco Pierin a callow Romeo. The Mercutio of Bruno Vescovo was *the one vital contribution to a* dispirited evening.

The Scala season is not off to a good start; and the rest of the calendar, consisting largely of revivals, does not hold much promise of excitement.

Covent Garden seat prices increased

Royal Opera House seat prices will beraised from the start of the April/May boking period. The average increases will be 8 per cent for opera (giving a price range of £2 to £37) and 6 per cent on ballet (£1 to £21).

Better Times, Stratford

Michael Coveney

Better Times by Barrie Keeffe, directed by Philip Hedley, is set in the East End in 1921 when 30 Labour councillors in Poplar went to prison in defiance of an order by the then LCC to extract what was thought to be unjustly high rates from the people of the borough. It was due to be seen at the Half Moon last year, presented by the Joint Stock Company, but the author and the company had artistic disagreements. It opened last night at the Theatre Royal, Stratford.

RSC tries a self-help policy

Antony Thorncroft

After years in which the Royal Shakespeare Company complained of the inadequacy of its public subsidy it is now propagating the philosophy of self-help. Rightly predicting that it could expect only a small increase in its Arts Council grant in 1985-86—it should hear this week of a 2 per cent rise—the company is concentrating on the marketing of its theatrical successes of recent seasons.

In a bid to boost income the RSC is reviving *Nicholas Nickleby* for a Christmas season in Stratford and then taking it on a nine-month U.S. tour; transferring to the West End three recent critical successes, Poliakoff's *Breaking the Silence*; Granville Barker's *Waste* and Pam Gem's *Camille*; launching a major musical as a replacement for *Peter Pan*—*Les Miserables*, opening at the Barbican before a West End move; and screening on TV three past productions.

To counter arguments that it is selling out, the RSC is mounting a series of new works — three plays by Edward Bond on nuclear war, which will be presented at the Pit, in the Barbican, from the end of May, and three by Howard Barker at The Pit in the autumn. The major new production at the Barbican will be *Red Noses* by Peter Barnes, with Antony Sher.

The Shakespearean element in the RSC's repertoire looks diluted this season. There are only four new productions at Stratford — *The Merry Wives of Windsor*, *As you like it*, *Troilus and Cressida* and *Othello*, with Ben Kingsley in the title role. The Barbican reason will basically consist of eight transfers from Stratford, opening in mid-April with the *Hamlet* of Roger Rees.

The most interesting work this year in Stratford will be at the Other Place: an adaptation by Dusty Hughes of Gorky's comedy *Philistines*; Christopher Hampton's adaptation of *Les liaisons dangereuses*; and *Mary, after the Queen*, a walk about production which will move *around the town*.

Trevor Nunn, the director of the RSC, will be involved with two productions, the revival of *Nicholas Nickleby* and *Les Miserables*, both with John Caird. Terry Hands, his deputy, will be responsible for *Othello* and *Red Noses*. Leading the players at Stratford are Nicky Henson, Peter Jeffrey, Peggy Mount and Alan Rickman, and in London, Frances Barber, Polly James, Patricia Routledge and Geoffrey Hutchings.

As a recipient of a substantial, if short-lived, boost of funds following the Priestley report into its activities, the RSC has decided to leave the campaign for more Government subsidy to the National Theatre.

London Symphony/Barbican

David Murray

Whether it was more difficult for Claudio Abbado on Sunday to sustain Mendelssohn's long, all-but-continuous "Lobgesang" Symphony or to keep up with Rudolf Serkin in his Mozart concerto one cannot guess, but he managed both things nobly. The octogenarian Mr Serkin preserves all of his inimitable charm, but his fingers are a little unpredictable now, and in the B-flat piano concerto K. 450 his basic tempi were subject to wayward gusts, needing slightly desperate concentration by the conductor. There was of course plenty of character, and even the hectic Finale had delightful flashes of timeless Serkin.

Mendelssohn's "Lobgesang" was published as his Symphony No. 2, but that is doubly misleading: it is an extended symphony-cantata, and it was composed later than any of his other symphonies except the "Scottish." It belongs to a genre favoured much more in Victorian days than now, with its sturdy choral writing and relatively modest solo parts, and at a good hour-and-a-quarter's length the tone of enthusiastic piety might seem over-insistent. The three-movement orchestral Sinfonia that begins it has room for mild, agreeable contrasts, but the succeeding vocal sequence has only one dramatic departure — the tenor's "Watchman, will the night soon pass?" — and Mendelssohn had no evident gift for portraying anguish of the soul.

Abbado did wonders with all this. Perhaps the *quadruple* woodwinds were unnecessary, but the L.S.O. played admirably in a score that shows off hardly anybody but the trombones (who declaimed stirringly). Purists might have found Abbado's account over-pointed, but it found winning life in the little Allegretto, and in general kept the risk of comfortable trundling firmly at bay. The London Symphony Chorus made an exciting, well-honed sound, and missed no chance to dramatise such variety as their music contained; the "Nun danket" chorale was a lovely high point.

The trio of soloists included not only the excellent Elizabeth Connell, but two fresh, open voices of great promise: Karita Mattila as second soprano (she is to sing Pamina at Covent Garden), and Hans Peter Blochwitz. Abbado made the continuity of the whole piece gripping; I doubt it has enjoyed many performances of such conviction.

Clare Leach/The Ritz

Michael Coveney

Clare Leach, alias the delightfully effervescent and richly talented Peggy Sawyer of *42nd Street* at Drury Lane, is hopping across town after "going out there and coming back a star" to provide supper time cabaret on Wednesday and Friday nights all this month in the splendid gilt and rococo *dining room at the Ritz*.

"I never go to the Ritz; I always go to the kid's party," she declares unconvincingly after opening the set, her spectacular legs entwined around a pillar, with an unequivocally slinky version of the song that launched Lucille Ball's Broadway career, "Hey Look Me Over" by Cy Coleman and Carole Leigh.

The aggressive flirtatiousness of the act culminates in the deft removal of her glittering blue skirt, an energetic tap tribute to Ann Miller, and a hypnotic tour of the tables while belting out Fat Wallers raunchy blues number, "Your feet's too big," that is as subtly ambiguous as Bessie Smith's "Kitchen Man." Which is to say, not at all.

The sight of one of Fleet Street's largest showbusiness writers waving his legs in the air as Ms Leach closed in wearing a "put those things away" expression like some sexily unimpressed chiropodist, is already one of the year's happiest memories.

Ms Leach hails from Alabama and never wanted to do anything much except sing with the band. She typifies the spirit of Broadway and Hollywood best embodied, perhaps in the series of Mickey Rooney and Judy Garland films that began with *Babes in Arms*. "Broadway Baby" from Sondheim's *Follies* is almost too obvious a choice of song, but *she* does it superbly.

She closes a regrettably short performance (barely half an hour, which may not quite justify the £7.50 entertainment charge you must pay on top of the dinner bill) with the *42nd Street* number which, in the show, she does not actually sing, "Lullaby of Broadway," and the title song itself. In the first case, a nudging, lifting rhythmic approach is mistakenly steam-rollered by a frenzied, swirling climax, which leaves her nowhere to go in the second. But that is her only serious error. Even those, like me, who think little of *42nd Street* as a production are compelled to withhold any strictures on Ms Leach. She's bubbling white sugar and I'll take a spoonful any time.

Cherkassky/Festival Hall

Dominic Gill

Sunday afternoon's recital was vintage Cherkassky. Framed by two transcriptions, the first towering, the second a veritable cascade of glitter, the heart of his programme was Chopin's B minor sonata and Schumann's *Kreisleriana*, with a brief and characteristic detour to take in Gershwin's three little Preludes.

The opening, with Busoni's grandiloquent piano transcription of Bach's organ Toccata, Adagio and Fugue in C major, was at first tentative, Rubinstein-like, a testing of the air — but it built irresistibly to its climax, a huge and sonorous carillon of bells.

The recital's high point for me was *Kreisleriana*: Schumann's music and Cherkassky's concerns meet precisely at a magical point — in a region of dappled half-lights, sly glances, sudden reversals and ambiguities, breathless delicacies of inner voice, innuendos of tone. And always with ardour: Cherkassky's reading of the fifth and seventh sections was as wild with *fantasy* and flying colour as it was rich in subtle inflection. Marvellous performance: I saw microphones, so maybe with luck a record will appear in due course.

Charlton Heston in 'Caine Mutiny' play

The Caine Mutiny Court-Martial by Herman Wouk will open at the Queen's Theatre on Thursday, February 28 with previews from February 26 for a 13-week season. The cast will be headed by Charlton Heston, who will portray Lt. Commander Queeg, and will also direct. Other leading members of the company are Ben Cross, John Schuck, Joe George, John Corey and William Wright.

The play is being presented at the Theatre Royal, Brighton, throughout this week, the Theatre Royal, Bath, from February 11 and the Palace, Manchester, from February 18 to February 28.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 1–7

Opera and Ballet

ITALY

Milan: Teatro alla Scala: The Barber of Seville conducted by Piotr Wollny with Martha Senn, Marta Taddei and Baolo Barbacini. (80.91.26)

Rome: Teatro dell'Opera: Handel's Giulio Cesare conducted by Gabriele Ferro and directed by Alberto Fassini. The scenery by Anne and Patrick Poirier and in the cast are Margarita Zimmermann, Claudio Desderi, and Bernadette Manca di Nissa. (46.17.55).

Rome: Teatro *Olimpico*: *Lindsay* Kemp's Mime Company in The Big Parade on the theme of the silent cinema: Gloria Swanson, Buster Keaton, Rudolph Valentino and Eric von Stroheim all figure in this tragicomic ballet. Every day except Wed. (39.33.04).

Palermo: Teatro Massimo: Don Pasquale by Donizetti directed by Filippo Crevelli, with scenery by Mauro Pagano. Bruno Campanella conducts a cast which includes Susanna Rigacci, Aldo Bertolo, Alessandro Corbelli and Enzo Dara (58.15.12).

Naples: Teatro San Carlo: Vladimir Vassiliev dancing in two of his own ballets, with Elisabetta Terabust and the San Carlo Ballet Company. (41.82.66).

Turin: Teatro Regio: A new production by Alberto Fassini of Puccini's Manon Lescaut conducted by Michelangelo Veltri with scenery and costumes by Pasquale Grossi (54.80.00)

Genoa: Teatro Margherita: Alberto Cupido and Fiorenzaa Cossotto in Werther by Massenet, conducted by Pierre Bervaux and directed by Filippo Crivelli (58.93.29).

VIENNA

Staatsoper: The Love Potion by Donizetti with Pavarotti, Wixell and Panerai; Manon conducted by Fischer; The Flying Dutchman with Haas, Lilowa, Adam, and Zednik; Die Fledermaus conducted by Kulka; Wozzeck conducted by Hollreiser with Armstrong, Jahn, Berry, Moser (5324/2657).

Volksoper: Millocker's Beggar Student conducted by Bibl; Der Zigeunerbaron; Vienna Blood; Hello Dolly; La Vie Parisienne. (5324/2657).

WEST GERMANY

Berlin, Deutsche Oper: The Magic Flute has Sylvia Greenberg and Bengt Rundgren as leads. Madame Butterfly, sung in Italian, features Yoko Nomura, Helga Wisniewsky and Lenus Carlson. (34381).

Hamburg, Staatsoper: This week's only opera performance of Madame Butterfly with the normally outstanding Raina Kabaivanska as Cho-Cho-San. (351151).

Frankfurt, Opera: Tosca has Maria Slatinuaru in the title role and Giorgio Lamberti making his Frankfurt debut as Cavaradossi. Aida will be conducted by Michael Luig for the first time. The new production of Falstaff is produced by Christof Nel. Louis Quilico appears in the title role. Zigeunerbaron has a new cast, with Elizabeth Parcella and Christoph Pregardien in the main parts. (25621).

Cologne, Opera: The highly-acclaimed production of Katja Kabanova, by Harry Kupfer, is very good with Helga Dernesch, Delores Ziegler and Matthias Hölle. (20761).

Munich, Bayerische Staatsoper: The week starts with Der Barbier von Bagdad, finely interpreted by Kornelia Wulkopf, Kurt Moll and Claes H. Ansjö. This week's highlight is Don Carlos, staring Mirella Freni, Agnes Baltsa, Nikola Ghiaurov and Giacomo Aragall. Hindemith's rarely-played Cardillac with Doris Soffel and Donald McIntyre, is worth a visit. Die Lustigen Weiber von Windsor rounds off the programme. (21851).

NETHERLANDS

Diaghilev programme from the National Ballet. Les Biches (Nijinska), Apollon Musagete (Balanchine) and Petrushka (Fokine). Scheveningen, Circus Theatre (558800), and Amsterdam, Stadsschouwburg. (242311).

The Netherlands Opera in Handel's Orlando directed by Filippo Sanjust. The Radio Chamber Orchestra under Nicholas Kraemer, with Jard Van Nes in the title role and Ann Dawson as Angelica. Utrecht, Stadsschouwburg (310241). Amsterdam, Stadsschouwburg (242311).

PARIS

Alexander Dargomyjski's Le Convive de Pierre based on Pushkin's version of the Don Juan myth is an opera essentially vocal and rarely performed. Conducted by Jean-Claude Casadesus in an Otomar Krejca production, Don Juan is sung by Allen Cathcart, *Dona Anna* by *Mariana* Nicolesco/Helene Garetti and Laura by Glenys Linos/Eva Saurova. Salle Favart-Opera Comique (2960611).

Tristan and Isolde conducted by Marek Janowski in a new production, co-produced with the Cologne Opera with Tristan sung by René Kollo/William Johns, Isolde by Ute Vinzing/Gwyneth Jones and Brangäne by Nadine Denize/Waltraud Meier at the Paris Opéra (742.57.50).

LONDON

Royal Opera, Covent Garden: La Traviata, in the aged and now rather embarrassing Visconti art nouveau production, is revived with a cast interesting enough to make the exercise worthwhile: Ileana Cotrubas, one of the world's most moving singers of the title role, Neil Shicoff and Norman Bailey, and Colin Davis as conductor. (2401066)

English National Opera, Coliseum: Tristan and Isolde, in a new production (borrowed from the Netherlands Opera) by Götz Friedrich, marks the return to London opera of the 84-year old Reginald Goodall, arguably the last in the great line of Wagner conductors. Alberto Remedios and Johanna Meier take the title roles. Also Tosca, with Phyllis Cannan giving a gleaming, expansive account of the name part, and Rigoletto, in the 1950s New York Lower East Side setting by Jonathan Miller which has afforded one of the most stirring and wholehearted company efforts in ENO history. (8363161).

Royal Opera House, Covent Garden: The Royal Ballet has Cinderella, Sleeping Beauty and *Manon* in repertory.

NEW YORK

Metropolitan Opera (Opera House): James Levine conducts the premiere of Nathaniel Merrill's production of Porgy and Bess, designed by Robert O'Hearn, starring sopranos Grace Bumbry and Myra Merritt, bass Simon Estes and baritones Charles Williams, Gregg Baker and Bruce Hubbard. James Levine also conducts the last seasonal appearances of Otello with Placido Domingo and Sherrill Milnes, as well as Wozzeck with soprano Behrens and baritone Christian Boesch. The week also includes the last seasonal performance of Ariadne auf Naxos conducted by Andrew Davis, starring Jessye Norman, and Placido Domingo conducting La Bohème with Catherine Malfitano. Lincoln Center (3626000).

New York City Ballet (New York State Theater): The 81st season continues with mixed programmes that include 17 Balanchine, eight Robbins and three Martins ballets. Ends Feb 24. Lincoln Center (8705570).

WASHINGTON

Washington Opera (Terrace): Zack Brown's 1981 production of The Rake's Progress conducted by Nicholas McGegan is performed in repertory with Leon Major's new production of L'Italiana in Algeri conducted by Joseph Rescigno with Francois Loup as Rossini's comic *Mustafa* and *Mimi Lerner* as Isabella. Kennedy Center (2543770).

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Tuesday February 5 1985

An evasive U.S. Budget

IT IS EASY to see why the markets, after one look at President Reagan's Budget proposals, concluded that the deficit is here to stay and promptly marked up the dollar another notch. The President has offered some highly unpopular proposals. Nevertheless, even if they were adopted by Congress, which nobody expects, and even if the administration's optimism about U.S. growth is justified, which may well be more likely, despite the scepticism of many economists, the deficit would only be modestly reduced over the next two years. The President's claim that this would at least initiate a permanent downward trend in the deficit is also hard to swallow. The future growth of entitlement programmes, through the ageing of the population, might well start the trend upward again.

A Presidential Budget is not a cut-and-dried policy statement as a European Budget would be; it is an opening shot in a duel between the administration and the legislature which will go on throughout the spring and summer.

Possibilities

The President is no doubt aware that his proposed $30bn increase in defence spending will not be accepted in Congress, and has therefore offered up some sacrificial weaponry. That alone would shave the deficit a little; but at the same time, some of the proposed cuts in civil expenditure will be blocked by special interest groups. The attack on farm supports is already coming unravelled. It seems unlikely that horse-trading over the items in the Presidential Budget will produce a better outcome than the one he projects.

That leaves the possibilities which are not discussed—an attack on social security entitlements, or an increase in tax revenues. The President firmly ruled out both these possibilities in his election campaign, while reiterating his devotion to the idea of a balanced Budget. Since not even an electoral landslide can empower the President to repeal the laws of addition, he is convicted by implication of leaving the most unpopular decisions to Congress.

Entitlements

Indeed, the President has already started to hint at the unpopular decisions he would "reluctantly" accede to, by saying that if faced with an "overwhelming" Congressional vote to attack social security by suspending indexation, he would have to reconsider his position. An outright proposal to increase tax rates probably would bring down a Reagan veto, but some of the less direct proposals now circulating to reduce deductions against tax liability — the most straightforward being a 10 to 20 per cent cut in total deduction entitlements — might again sneak by. It is therefore probably within the power of Congress to produce a Budget which would make a serious dent in the deficit; but it is an odd kind of leadership which does not even begin to point the way. Again, market scepticism seems justified.

Proposals

In one respect, however, both the President and his Congressional critics miss a central point—as, indeed, do the markets. This is that the tax simplification proposals promised for later this year could address the deficit far more effectively than any likely Budget compromise. By 1986, as the proposals show, debt service will account for the whole of the projected Federal deficit. A reform which removed the tax shelters which enable private U.S. borrowers to outbid most others, and force the rest—notably the U.S. Government itself — to pay record real rates would do more than anything to bring both the deficit and the dollar into the realms of sustainable economic reality.

The taxation of pensions

AS THE Meade Committee noted in 1978, the taxation of pension funds is theoretically almost ideal. The tax-deductibility of contributions and the tax-free accumulation of investment income is balanced by the full taxation, as income, of pensions in payment. The deferment of tax until pensions are actually paid out is economically efficinet: the pre-tax return on the underlying investment and the post-tax return to savers are equalised.

There is only one clear anomaly: the treatment of lump sum payments. Tax-free lump sums which have been ccumulated out of tax-fre contributions are no less than officially sanctioned tax shelter. The concessio n should be phased out, starting on March 19, as fast as is consistent with the Chancellor's pledge of no retrospective legislation. The simplest method would be to announce in the Budget that the fraction of a lump sum which is tax free is to be progressively reduced from 150 per cent of final salary today to zero in five to 10 years' time. This would involve some rough justice — not least in the public sector, where lump sum payments have become traditional. But some price has to be paid if tax reform is to be more than an aspiration.

Lump sums aside, the taxation of pension funds is eminently logical. Unfortunately, the taxation of other savings media is not: liability to tax cannot be deferred until the proceeds from saving are run down. Pension funds' ability to defer tax is a considerable advantage which goes a long way to explain their rapid growth and the crowding out of direct personal investment.

Dilemma

The unique treatment of pension schemes presents the Chancellor with a dilemma. Theoretically, the most attractive solution might be to follow the Meade Committee's advice and attempt to put other savings media on a comparable footing. But the abolition of tax relief for life assurance premiums last year suggests Mr Lawson has rejected this approach. If so, he has little option but to remove the funds' unfair advantage: like other forms of saving, they should bear the double taxation implicit in an income tax system.

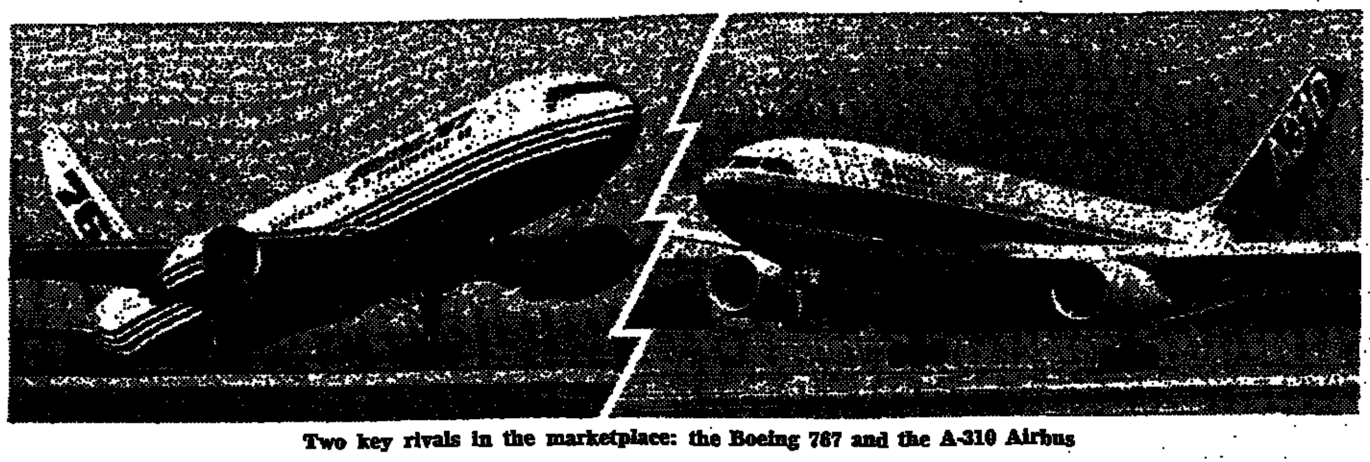
This means either that contributions should cease to be tax-deductible or that investment returns should be taxed. The first option appears to be impractical. The part of pensions in payment which reflects contributions would deserve to be tax exempt, but could not be easily distinguished from the accrued income. In any case, companies might shift to ununfunded schemes, thus ensuring that pension costs remained a business expense. The second option looks rather more feasible, though by no means easy. It ought to be possible to tax some measure of funds' total investment return. An inflation adjustment would be desirable because a levy on nominal gains could result in negative post-tax real returns; funds could justifiably claim that this would undermine the long-run economics of schemes.

Difficulties

The pensions industry is likely to stress the practical difficulties of taxing real returns and the likely impact on contribution rates. These problems need not be insuperable. While a modest cut in benefits or rise in contributions might be necessary if real returns were taxed, the very large surpluses of many funds suggests the adjustment might not prove too onerous.

Actuaries might be well advised to co-operate in devising a sensible tax on real returns which could contribute to fiscal neutrality in the longer term because the alternatives might be worse. The funds' big surpluses are a temptation and Mr Lawson could resort to the sort of "windfall" levy Sir Geoffrey Howe imposed on the clearing banks in 1981. Alternatively, the Inland Revenue might try to insist that funds which are in surplus should lower contribution rates, thus boosting corporate profits and, with luck, corporation tax receipts. Neither of these opportunistic revenue-raising measures would do anything to foster fairer taxation in the savings market or the rational provision for old age.

BATTLE OF THE SKIES



Two key rivals in the marketplace: the Boeing 767 and the A-310 Airbus

Turbulence on two fronts for Europe's Airbus

By David Marsh in Paris

AIRBUS INDUSTRIE, the European airliner manufacturing consortium, is flying into a bout of turbulence over its future management structure—just at the time when competition with Boeing, the world's No 1 airliner company, is widening into a full scale battle of the skies.

A split between its French, West German and British shareholders over the organisation of the consortium has come to a head in a squabble over the choice of a new chairman to succeed France's M Bernard Lathière, who has just stepped down after 10 years in the job.

The tussle coincides with a turning point in Airbus's 15-year-old effort to challenge Boeing's dominance, built on mastery of the aircraft industry's long production schedules and no-holds-barred marketing techniques.

With its production range being significantly widened, and a firmer footing established in the U.S. following last autumn's ground-breaking deal with Pan American World Airways, Airbus is moving ever deeper into Boeing territory.

But, at the same time, the European governments which up to now have been the main paymasters of the Airbus development programme are becoming more restive over whether they are getting value for money.

The dispute among shareholders in the four-company consortium — which groups Aerospatiale of France, Messerschmitt Boelkow Blohm of Germany, Britis hAerospace and Casa of Spain—is about whether the marketing and financial sides of Airbus should be brought closer together.

M Roger Beteille, the general manager, who is himself shortly to retire for health reasons, was appointed on Friday night to take over on an interim basis from M Lathiere. The French candidate, M Jean Pierson of Aerospatiale, seems likely to take over eventually as chairman. But his formal appointment has been delayed while the consortium decides a possible new management structure.

The need for a tighter grip is a result of the keener competition with Boeing. Airbus needs more flexibility in its relatively unwieldy production arrangements to stay in the game with the American giant.

And on the financial side, the present structure of the consortium—which has no capital of its own and has never published a profit and loss account —has severe limitations. The marketing-oriented management team at the Airbus Industrie headquarters at Toulouse is keenly aware that it has no funds of its own to back decision making.

Airbus admits, for instance, that—partly because of lack of communication among the shareholders—it has no precise idea of the production costs of the aircraft it sells. Under the present management structure, financial control is a relatively minor responsibility

Underlining diverging philosophies between the Airbus management and the more conservative shareholders, M Pierre Pailleret, vice-president in charge of marketing and the architect of last year's Pan Am deal, says he is now having a tough time persuading shareholders of the need to boost Airbus's production rates. These have been cut savagely—to an estimated 33 to 35 this year—in response to the airliner recession of the last two years.

M Pailleret's optimism is only partly dimmed by the fact that the bulk of the potentially $2bn Pan Am deal is not yet formally signed.

The order book is sufficient to cover the next two years' anticipated output, and the number of totally uncommitted jets or "white tails" on the Toulouse production line is now down to only nine because of the Pan Am deal. M Pailleret argues that this means he runs the risk of being caught napping if airlines decide they need readily available aircraft.

"We're pushing our partners hard to raise production. We would like at least 40 (aircraft) next year," says M Pailleret.

For the first dozen years of Airbus's existence, the lack of accountability of the marketing team was pushed into the background. Airbus was a one-would like at least 40 aircraft product venture admittedly dependent on government funds for start-up finance but the wide bodied market.

Now, however, the family is being enlarged, with development of the narrow body A-329 started last year and a new twin aislie haul aircraft, the TA 11, on the drawing board. Additionally, key decisions have to be taken soon on renewing the wing elements for the wide body A-300.

And, while the demand for finance is growing, the French, German and British governments—which have put up or committed a total of around $5bn in loans and guarantees to back Airbus programmes so far—are becoming less enthusiastic about ploughing more taxpayers' funds into project

Herr Franz Josef Strauss, the leader of the Bavarian Christian Socialists and the head of the Airbus supervisory board, who somewhat peremptorily announced the departure of M Lathiere during a trip to Paris last week, was at pains to emphasise that West Germany firmly wanted the TA 11 to go ahead.

The national carrier, Lufthansa, has always backed the project in preference to the A-320. Airbus is at present discussing with about 10 international airlines possible spescifications for the new plane, where it is hoping for a firm go-ahead from shareholders in 1986, ready for introduction into service in 1991. Using some technology alredy developed for the rest of the Airbus range, the TA 11 would crucially need new wings, with total development costs estimated at about $1bn.

The lack of funds for the TA11 has prompted the governments in both Paris and Bonn to look at the possibility of persuading airlines, now starting to improve their financial results, to take a part share in financing the project.

On the more immediate question of financing present deals, M Pailleret believes the Airbus image in the U.S. as "normal business partners," has been helped by the fact that finance for the Pan Am deal is being put together on a commercial basis, not through export credits.

Even though execution of Airbus purchases is dependent on Pan Am signing a crucial labour agreement with its unions, he predicts a firm contract (originally expected by the end of last year) will be signed in the first quarter of this year.

Prices for the Airbus jets—just under $50m for A-310s, just over $25m for A-320s, and $40m each for A-3000s being delivered under a now-concluded leasing arrangement — were at the bottom end of Airbus's normal range. But M Pailleret rejects charges from Boeing that Airbus can afford to discount heavily because of the strength of the dollar and government subsidies.

"Boeing is not scared of us," says M Pailleret—who flew to New York 15 times last year to stitch together the Pan Am deal. "But they have good reason to be nervous about what we are doing. They now accept that we are going to be around in 20 years time."

Airbus followed up the Pan Am sale by clinching fresh orders at the end of last year with other traditional Boeing clients, Air India and Turkish Airlines. And it now appears to be inching ahead of Boeing in the final stages of another key Asian deal, with Thai Airways Company.

The basic Airbus logic is that, with a firm place now carved out in the world airline market, it has no choice but to continue building up its airliner "family" to match the range offered from Seattle.

Out of the roughly 25 "active negotiations" M Pailleret is carrying out with international airlines, many involve discussons on possible purchases of A-320s and TA 11s. "The broader the family, the more common links in your range, the more you sell," says M Pailleret. "It gets truer every day."

BOEING: 'A FORMIDABLE ARSENAL OF MARKETING WEAPONRY'

IF YOU ask Boeing executives for the key ingredient in successful commercial aircraft sales today they give a totally unhesitating reply. Finance, they say, has dictated virtually every big order since 1982—and they do not like this trend one little bit.

"We believe that a deal should be determined by product quality and product utility, not by the finance on offer," says Mr Thomas Riedinger, director of marketing communications. "What we want is product competition, not financing competition."

It is not difficult to identify the target of Boeing's dislike of of the financing weapon. The European Airbus consortium ranks very high in the Seattle-based company's demonology, not so much because of the Airbus product — many Wall Street analysts say that Boeing is far more afraid of a resurgent McDonnell Douglas—but because it believes the European company's sales techniques are destabilising the market.

"The proof of the pudding is that no U.S. airframe manufacturer could have survived on an initial market response as poor as Airbus had for the A300," says Mr Tom Craig, the head of marketing statistics.

One example of how the emphasis on finance has changed the traditional sales pitch in the industry is given by Mr Chris Longridge, who worked for several years in direct competition with Airbus in Europe. Civil aircraft selling, he says, is usually a long-term business. Salesmen often work closely with airlines for years, adapting established products and modulating new plans, before landing an order;

Airbus, however, appears to have the ability to swing deals simply because "certain directors seem to have the power to commit the company to guaranteeing that money is available at certain rates."

In the U.S., it is not only Boeing that has been upset by Airbus's tactics. Many analysts believe, for example, that the political "buy-American" furore that broke out over Airbus's breakthrough sale of A300s to Eastern Airlines a few years ago was whipped up by other airlines who were upset about the easy terms given to the carrier.

A similar argument is currently being used by some analysts critical of Airbus's Pan Am deal announced last year.

Financing had to be paramount in the decision to purchase the airbuses, says one executive close to the negotiations, because it was made clear from the start that the deal would have to be off-book—a reference to the leasing arrang-ment which will keep the new aircraft off Pan Am's fragile balance sheet.

Whatever Boeing's misgivings about current marketing trends, however, it still bristles with the confidence born from decades of success. Among the strengths which executives trot out are the following:

First, Boeing has an enormous customer base, with over 4,500 commercial jets delivered to more than 400 different operators, against only 400 or so aircraft shipped by Airbus.

Secondly, the company has come up with new marketing methods of its own which to some extent counter both Airbus's aggressive policies and the impact of the rise in the dollar in international markets. By setting up a new organisation to refurbish and sell used aircraft taken in part-exchange deals, it has smoothed the way for several new aircraft sales.

Thirdly, Boeing has tackled its cost structure in a radical manner over the past couple of years, most notably in a pace-setting new labour contract which has established much wider differentials between new recruits and skilled workers. The company puts great emphasis on its labour flexibility as one of its trump cards in the battle against Airbus.

Finally, Boeing arguer that it is the only civil aircraft producer with a genuine range of aircraft spanning the demands of most large continental and intercontinental airlines. Its one area of weakness against Airbus, in the 150-seater category, will be filled, the company has just confirmed, by the early 19990, when a new aircraft incorporating increased use of lightweight composites — will come on stream.

This formidable arsenal of marketing weaponry is backed by a capacity that would allow Boeing in supply virtually all the world's requirements for larger civil aircraft if the airlines were agreeable, "stamping them out like tin cans," as one executive puts it. Indeed, the overwhelming threat of Boeing's market power may be one of the strongest cards Airbut has to play.

But if the European company is to win real credibility in the U.S. market, it still needs a big order from an airline with strong enough finances to allow it a genuine product choice.

Terry Dodsworth in New York

CIVIL WIDE-BODY AIRCRAFT ORDERS

	Airbus	Boeing		McDonnell Douglas	Lockheed
	A-300/A-310*	747	767	DC10	Tristar
1978	69	76	83	43	29
1979	120	76	47	34	29
1980	49	49	23	12	14
1981	42	23	7	3	5
1982	17	14	2	0	0
1983	6	24	16	1	4
1984	21	22	10	7	1

* A-310 introduced from 1979

Sources: Airbus/Boeing, includes only signed orders for new planes

Men and Matters

Ross returns to market

Stanley Ross, one of the more colourful figures in the Eurobond market, is back in business again. He started work yesterday as an executive director of Deutsche Bank Capital Markets, the major German bank's new London subsidiary.

Ross quit as chief executive of Drexel Burnham Lambert Securities, previously called Ross and Partners last September. After a five month sabbatical, Ross is back in harness, trading bonds. How does he find being part of a big, structured organisation rather than running his own show?

"Being in a big organisation can be fun," he explaines, and adds, "it's one thing to be a maverick at 45 but another thing at 55."

Deutsche Bank is planning to move its non-Deutsche mark bond issuing business to London and beef up its trading activity. Perhaps Ross will be starting a screen trading service as he had at Ross and Partners.

But the daily jokes, formerly a feature of the Ross screen and much loved in the market, may not be quite the Deutsche bank style.

Cowgill's patch

Bryan Cowgill, the combative managing director of Thames Television, may have taken the first round by winning the American oil industry saga, Dallas, from the BBC.

He may even have won the second round when he told IBA director-general, John Whitney, that he had no intention of giving it back to the Beeb.

But the betting is that Cowgill will not emerge from the affair without at least a bloodied nose.

Until he started mixing it over JR, Cowgill was firm favourite to succeed Lord Buxton, when he retires as chairman of Independent Television News.

But many of the ITV barons —less than amused by Cowgill's belligerent (and expensive) swipe at the BBC just as they were negotiating their Channel 4 subscriptions — now seem determined to keep the ITN prize from him.

Word is that Brian Tesler, chairman of London Weekend Television, is much more likely to get it.

"You realise that clearing this lot will take me into overtime?"

A vital link

Professor Gareth Roberts, 44, has been lured from his chair in applied physics at Durham University to be Thorn-EMI's chief scientist—for 80 per cent of his time, anyway.

The rest, Roberts will spend in a new laboratory Thorn-EMI is helping to build for him in Oxford's department of engineering science.

Roberts is the first of a number of high-level appointments which Thorn-EMI's research director, Dr Ken Gray —a former defence scientist who "entered the real world" only last autumn—plans for the company's new £8m central laboratories at Hayes.

Roberts is an authority in molecular electronics, a field of materials science from which the micro-miniature electronic devices of the next century are expected to come.

His particular speciality is making films of plastic so thin and so perfect in structure that they behave in quite unexpected ways. Gray sees it as "an exciting new way of making whole classes of materials."

What precisely Roberts' job as chief scientist will be is not laid down, but Gray envisages it "as an intelligence rather than a managerial role."

What is not in doubt is that Roberts will be a vital link between Thorn-EMI's new research laboratories and one of the country's most inventive centres of engineering science just an hour's drive up the M40.

On draft

Fred Burrows, one of the Foreign Office's most senior legal experts, had a big hand in drafting the documents which now form the blueprint for Hong Kong's transition to Chinese sovereignty in 1997.

Now Burrows, aged 59, who was a member of the Sino-British working group set up in Peking last year to speed the final stages of negotiations, is to return East to help sort out Hong Kong's treaties with other countries.

Many bilateral and multilateral agreements on trade, shipping, and aviation rights, for example, may have to be re-drafted to ensure they are not at odds with the Peking declaration.

Burrows, who will be one of five law officers supervising the changes under Attorney General Michael Thomas, is likely to be appointed a member also of the Sino-British joint liaison group due to be set up in July to oversee the initial stages of the 12-year transition.

Front-line

Much as I dislike newspaper bingo games, I must admit they do have rather more appeal than the alternative competition currently featured by "Sahara Libre," newspaper of the Polisario Front rebels, fighting for independence in the Western Sahara.

To celebrate its 10th anniversary, the newspaper, published in Algeria, is asking readers to write an essay of 120 pages on the history of the Saharawian people and the present-day battle.

First prize is a free trip to the war zone and a refugee camp; second prize, a selection of items made by local folk artists; third prize, video-cassettes of Saharawian music illustrated with battle scenes; and fourth prize, a collection of Polisario information documents.

Hair piece

Blokes with beards seem to be having a rough time. First a U.S. company proscribes them, then Mrs Thatcher is said to abhor them—now a Turkish academic has lost his job because of his whiskers.

Since an academic reform sponsored by the generals in 1982, beards have been banned at Turkish universities along with blue jeans, short skirts and headscarves.

Several faculty members are believed to have resigned when forced to choose between their beards and their jobs.

But Dr Erhan Acar, a 39-year-old town planner at the Middle East Technical University in Ankara, refused to shave despite warnings, salary cuts, and other disciplinary moves, until he was eventually dismissed.

Acar has not yet given up the fight. He is suing the university rector for "moral damages."

Observer

Letters to the Editor

Everyone needs cheaper oil

From Mr D. Howell MP

Sir,—Your editorial (February 4) on oil prices, together with your earlier comments on British National Oil Corporation's activities, make a refreshing contrast with the obscurities of official British policy on oil pricing. Certain basic considerations need to be restated.

Britain's interest is in lower oil prices (as you rightly say). It has been all along. The clear position which I took between 1979 and 1981 on Britain's behalf at the International Energy Agency and in other groupings was that as a major energy consuming nation we were overwhelmingly against the political forces which were maintaining crude oil prices at fanciful levels. I would like to hear this policy restated today with far more vigour.

Attempts by Britain, through BNOC, to stand out against slipping oil prices are not in this nation's interests, do not improve relations with Arab countries, do not help the PSBR (except in the ridiculously short-term), let alone the fight against inflation, and do not add to the stability of oil markets.

On the contrary, it is now clear that BNOC's failure (not, I think, through its own fault) to move to a market-related oil buying formula before Christmas greatly increased the fragility of oil markets in the early days of this year. I believe that this error has played a significant part in adding to the bumpiness of sterling's ride in recent weeks.

Even now, the BNOC decision to hang on to a bogus buying price is helping prolong the uncertainty, exposing sterling unnecessarily and leaving Britain, once again, in the hot seat on oil pricing (quite aside from the cost to taxpayers).

As I have tried to explain to Organisation of Petroleum Exporting Countries' leaders, a clear, early drop in oil prices would have been, and even now would be, far better for most of their members than the drama and uncertainty through which they have had to go, and are still going. Your editorial underlines the point that the benefit of an increase in the demand for (cheaper) oil would accrue almost entirely to Opec producers.

Of course the cry will be repeated that the real danger is of complete oil price collapse, bringing political instability to Opec and chaos to our own and other non-Opec producers' finances. This has been the threat that seems to have paralysed sensible and timely action all along.

If that threat is real, which I doubt, then this greatly reinforces the case for making the decisions to cut oil prices early and cleanly. Every day that passes in postponing these decisions, whether in London or in Opec circles, ensures that the outcome will be more messy and destabilising, worse for Britain and worse for most Opec producers.

David Howell.
House of Commons, SW1.

Pay, jobs and the Treasury

From Mr D. Taylor

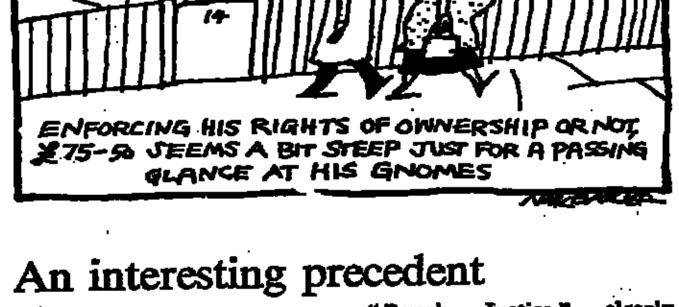
Sir,—In his article "Pay, jobs and the Treasury" (January 31) Samuel Brittan seeks to rise above the somewhat one dimensional world of Treasury models in the analysis of the effects of wages on employment. While I whole-heartedly agree with this approach I find his conclusions equally lacking in depth. The Treasury's paper concludes that if real wages were lower employment would be higher. Mr Brittan, among other points, concludes that high unemployment is needed to bring the real wage target down to what is possible without an inflationary explosion. I would argue that wages need not be lower, we are already practically viewed as a low labour cost country, nor is unemployment necessary to regulate wage demands.

I regularly visit both UK manufacturers and manufacturers in traditionally low labour cost countries such as Taiwan and South Korea. From simple observation and without the aid of a computer I offer the following analysis. In Taiwan, for instance, wages doubled between 1978 and 1982 with real wages increasing by 6 per cent and productivity increasing by some 13 per cent. Unemployment is currently less than 2 per cent and inflation around 4 per cent. This has been achieved through the introduction of automation and the advancement from labour intensive industry to the manufacture of more sophisticated products.

What I see is the UK attempting to compete with these products, made in a country where the average skilled production line worker earns £200 per month. Methods of automation are just as available in Taiwan as they are in the UK and the result is pressure to reduce wages. Such a reduction in wages will therefore, not surprisingly, help to reduce unemployment. This policy however, simply results in the UK and countries like Taiwan interchanging their roles in the world economy, with the UK becoming a low labour cost, labour intensive, economy and Taiwan continuing to advance technologically. The alternative is to stop competing and adopt a similar approach to that of the U.S. In the electronics industry the U.S. uses the current economic situation to great advantage in two ways; by supplying the "high tech" equipment needed by the Taiwanese manufacturers as they advance and by locating labour intensive parts of the manufacturing process in the countries most suited.

Both the Treasury model and Mr Brittan are obviously right but there are two clear routes to increased employment. Britain is at the cross-roads of unemployment; to the right is "reduce wages" road leading to labour intensive villages to the left is "increase public spending" cul-de-sac leading nowhere, except bankrupt alley; ahead is "investment" highway leading to prosperity city.

D. A. Taylor.
54A Gladstone Road, SW19.



Monopolies and newcomers

From Mr J. Aylen

Sir,—Professor Valentine Korah (January 24) espouses the fashionable and provocative view that monopoly does not matter so long as new firms are free to enter a market. In her view the key consideration of European competition policy should be—what benefits the consumer most in the short run? She advocates a monopolies and mergers policy which is indifferent between big and small firms save on grounds of their immediate efficiency. As she admits "efficient small firms may survive, but should be protected from more efficient larger firms." While not wishing to contest the intellectual elegance of the new, if naive, monopoly theory it does overlook longer run implications for the overall industrial structure of the economy.

One feature of the British and American economies has been growing concentration of industrial power in the hands of fewer firms. Censuses of Production show that in 1907 the largest 100 manufacturing firms produced 15 per cent of U.K. net manufacturing output. By 1978 the 100 biggest manufacturers controlled 41 per cent. There are competing explanations as to why this shift towards larger firms should have happened. Some researchers see it as a spontaneous process, in effect the outcome of a random walk of success and failure among manufacturing firms. Others ascribe growth in industrial concentration in the UK to mergers, and in particular point to the merger booms of the inter-war years and the 1960's.

A touching belief in the role of free entry in diminishing monopoly power would allow this process of growing concentration to continue unchecked. After all, according to the new theory even the largest firm is prone to attack if the potential rewards are sufficient. Presumably, on present trends, 100 giants will struggle for control of two-thirds of manufacturing output in the UK by the end of the century. This does raise the issue that at the logical extreme there would be fewer and fewer firms left to enter markets dominated by existing monopoly.

If lawyers appeal to economic theory, perhaps an economist might also appeal to political and social considerations. Should we be indifferent to seeing half, leave alone two-thirds, of all UK based manufacturing decisions reside in a hundred board rooms? The issue has topical relevance. Surely it is better for Dunlop to be restructured and revived as an independent company, rather than taken over by BTR, if only to keep one more centre of decision making alive?

Presumably too, Professor Korah is unconcerned by the outcome of "exit" decisions by entrants who failed to break in to a potentially lucrative but already concentrated market. Should society be indifferent if European Ferries buys up P & O's channel ferry business in an outright purchase of market power? The short run view might be that savings in administration and advertising costs offset any potential disadvantage arising from reduced choice for consumers. Others might be less sanguine about the likelihood of European Ferries making it even more difficult for new entrants to contest the cross-channel ferry market and the possibilities for collusion with existing competitors. The answer must be that short-run considerations of efficiency should not be the sole criterion for competition policy. Corporate armageddon is too important a matter to leave to economic theory.

John Aylen.
Department of Economics,
University of Salford,
Salford, Manchester.

An interesting precedent

From Mr T. Coskeran

Sir,—The application of the principle of "rough justice," which you advocate in your leading article (January 25) on the case for a levy on blank tapes could result in some interesting developments.

The problem for the record companies with the home taping of their product is that they have the right of ownership (or property rights) to the music, but are unable to enforce this right. This problem of being unable to enforce one's property rights is not, however, as uncommon as you, or the record companies seem to imply.

I too have property rights to my front garden, but cannot enforce them when it comes to charging people for the benefit which they obtain when they pass my house and look at my garden. I obviously claim that people obtain such a benefit just as the record companies claim that tapes and cassettes are purchased to record their music.

"Rough Justice" clearly suggests that the Government should impose a levy on all those who do not own houses, to be collected and distributed to all those, like myself, who spend many hours creating beautiful front gardens; only for passers-by to enjoy, at no expense, the fruit of this labour.

This example, of course does not exhaust the possibilities. Ultimately the number of such levy schemes would be limited only by the apathy of those possessing currently unenforceable property rights, unless somebody explains why the record industry should be singled out for special treatment with this problem.

If the Government does concede such a scheme it should recognise that it is bowing to pressures of a special interest and not dealing with a unique situation. It would also be creating an interesting precedent.

T. Coskeran.
14, Jupiter Drive,
Leighton Buzzard, Beds

Step up management training

From the Deputy General Secretary,
Institution of Industrial Managers

Sir,—There is a serious dichotomy between what Sir Keith Joseph is doing and what Norman Tebbit is saying, and this institution is alarmed at the frightening implications for management and industry in this country.

Sir Keith wants to cut drastically the number of lecturers in higher education by something like 2,500. We as an institution are seeking to step up management training in colleges and Universities, not slim it down.

At the same time as talk of £300m cutbacks in education, Mr Tebbit goes on record as saying he wants industry to produce British goods to win back British customers, "thus keeping British workers in jobs, not the Japanese." If Mr Tebbit seriously wants this to be the case, then he should have a quiet word with Sir Keith, armed with the opinions of ours and other management institutions about the vital need for more training of managers, not less.

Is the future to be impaired by highly damaging cutbacks, made all the worse by words of encouragement which are apparently not backed up with ready cash?

Dudley Mainprize.
45, Cardiff Road,
Luton, Beds.

Counterfeit components

From the General Secretary,
International Metalworkers' Federation

Sir,—The concern expressed about fake vehicle components being made in Asia (January 29) is one that workers and their unions in the auto industry fully share. Police, legal, diplomatic activities and even acton by Gatt are to be welcomed but are unlikely to staunch the flow as long as employers in the offending countries are not only permitted, but actively encouraged to make money without any regard for the consequences for the local or international community of the products they make, the manufacturing processes they use, of the wages they pay to workers.

Broadly speaking, workshops that are organised by genuine trade unions are unlikely to get involved in illegal activities not because unions are more moral than other institutions, but because their fellow union members down the road won't put up with such dangerous fakes undercutting their own output. As well, unions, as independent social bodies, can raise hell about any employer who went in for such practices.

The countries chiefly complained about, however, Taiwan and South Korea, are precisely those where unions are most repressed and where, by and large, the employer has a free hand. Most western companies have welcomed this lack of union organisation in South-East Asia and profited handsomely from it. Now British auto companies are paying a price. In the U.S., aeroplane companies also complain about fake parts, while I rarely see a Rolex watch or Louis Vuitton bag that looks like the real thing.

Painful as it may be ideologically for it, the UK Society of Motor Manufacturers and Traders might be better advised to stop pleading for interference in the free market Asian-style and to urge instead that everything imported from Asia bore a made-by-union-labour stamp. Come to think of it, proper unions and decent wages would mean the beginning of real domestic demand in those countries and help keep within their borders cars and other goods that currently swamp Europe.

Herman Rebhan,
Route des Acacias 54bis,
Case Postale 563,
CH-1227 Geneva, Switzerland.

An Arts Council for books?

From Mr H. Scholes

Sir,—Bel Mooney (January 31) makes a forceful case for subsidising books. Well and good, if that is what we as a nation want. But it should be done openly, not through VAT reliefs, which amount to a concealed and undiscriminating subsidy, encouraging pornography and rubbish as well as serious literature, and escaping any form of review or control on expenditure. If help were given instead through money voted by Parliament there would be an incentive to see that it was properly spent, and weigh its priority against those of other claimants such as student grants and the British Council.

The allocation of any such funds would of course be troublesome and contentious, but the example of the Arts Council in an analogous field has shown that it can be done. And the cost of the necessary administrative machinery would be more than covered by the savings accruing from the withdrawal of relief from worthless recipients.

Hubert Scholes.
5a, Lancaster Ave,
Farnham, Surrey

Appreciating the Member

From the Headmaster,
Littlemoss High School for Boys

Sir,—The staff and pupils of Littlemoss (Secondary) High School for Boys, Droylsden, wish to express their appreciation to the Financial Times and Mr Roland Boyes, MP (January 31) for bringing to their attention the most misfortunate oversight of failing to honour one of its old boys, Mr Allan Roberts, MP.

Steps are being taken to remedy this mistake, and Mr Roberts has accepted an invitation to come to the school on March 15, to address the boys and be presented with his official school leaving certificate and an illuminated scroll of honour.

Being a state school, and not a university, we are not empowered to offer honorary degrees, but we can show our appreciation to Mr Roberts for presenting Littlemoss with the distinction of being one of the few, if not the only, state school to be mentioned by name in Hansard.

R. M. Coe.
Littlemoss High School for Boys, Droylsden, Manchester.

Reform in South Africa

Step by step, the face of apartheid is changing

By Anthony Robinson in Johannesburg


Bishop Tutu: amnesty prayers

THESE ARE stirring times in the southern tip of Africa where the rules of apartheid are being changed as the Afrikaner Nationalist Party cautiously seeks a wider white power base for itself and allies in other racial groups. Apartheid is far from dead, but over the last two weeks, President P. W. Botha and other leading Nationalist politicians have announced in public, and explained at briefings, a series of changes which mark a significant departure from grand apartheid strategy laid down in the 1950s and early 1960s by Dr Hendrick Verwoerd.

Deliberately, the new tricameral parliament with its separate chambers for whites, coloureds and Indians was chosen as the appropriate backdrop for a series of policy statements affecting the lives and political rights of those most conspicuously left out of the new constitution—South Africa's black majority.

The most important policy shift is formal recognition by President Botha of the existence of a large, permanent black population in white South Africa and implicit recognition that the Verwoerdian dream of a white South Africa surrounded by a constellation of "independent" black Bantustans or homelands is no longer a workable blueprint.

Having accepted the permanent presence of blacks in South Africa, President Botha then went on to offer blacks both a form of political representation through a somewhat vaguely defined "non-statutory forum," and a promise of greater security through the granting of freehold property rights, in certain cases.

While South Africans of all hues were digesting this, Mr Gerrit Viljoen, the Minister for co-operation, development and education (formerly Bantu affairs) let it be known at a briefing for foreign correspondents that the Government was taking a new look at the black townships earmarked for removal as "black spots" in "white areas" under the Group Areas Act—one of the basic pillars of apartheid which remains intact.

U.S. diplomats here have given the Government a list of specific areas where action could help to defuse the growing pressures for U.S. disinvestment and other discriminatory measures against South Africa. An offer to release the imprisoned ANC leader Mr Nelson Mandela is high on that list.

In his first sermon as the new Anglican Archbishop of Johannesburg last Sunday, Bishop Desmond Tutu said he would pray for an amnesty not only for the ANC, but for all political prisoners and exiles.

ANC sources have indicated that there is little likelihood of Mr Mandela or other leaders accepting Mr Botha's offer of release (which is conditional upon a disavowal of violence and a pledge to act scrupulously within the law) unless the Government first lifts the ban on the ANC. Despite the large element of bluff and public relations in President Botha's offer, the fact that he felt strong enough to make it is not without significance.

Given the depths of mutual suspicion and incomprehension engendered by nearly four decades of apartheid, and three centuries of white domination before that, it is an open question whether the ANC would be willing or able to persuade the more militant Marxist element within its ranks that President Botha's commitment to change is more than merely a cosmetic attempt to tinker with the form of apartheid.

But scepticism about the government's real intentions among the black community is matched by ferment within the white tribes, and specially the white working class of both Afrikaner and English-speaking origin. These votes have deserted the Nationalist Party in droves for the Conservative Party led by Dr Andries Treurnicht. The Conservatives have only 18 seats in the white House of Assembly as against 125 for the Nationalist Party and 27 for the Progressive Federal Party (PFP). Furthermore, there is no need for a general election until 1989—unless President Botha decided to go to the country earlier. But at recent by-elections the Conservatives gained over 40 per cent of the vote in some constituencies and there is no doubt that President Botha is deeply concerned about erosion on his Right.

A year or so ago, the offer of a black "forum" to flank the tricameral parliament, especially when linked to other significant reforms like the proposed regional service committees which will give blacks a share of revenues and a political say alongside other racial groups in new regional local government bodies, might well have struck a responsive cord in black public opinion.

But the Government's commitment to controlled reform defined by President Botha as "co-operative co-existence," risks rejection as "too little, too late" from a black community whose own pace of political awareness has grown sharply over the past 18 months.

In the words of a leading Cape Town political scientist: "The dynamics of cautious reform are out of phase with the dynamics of black politics."

The selective reforms offered by the Government essentially reflect the changing demographic and economic realities of an increasingly urbanised country. Neither the Group Areas Act — which divides the country into racially separate residential areas — nor the pass laws and influx control measures connected with it will disappear. But Dr Viljoen, insists that Government thinking has moved away from the policy of forced resettlement (under which between 2m-3m people have been forcibly uprooted and moved to bleak new plots in the so-called independent homelands) and is putting the emphasis on controlled urbanisation instead.

South Africa has certainly not seen the last of the harrowing removals of communities which have caused such misery and done so much to tarnish the international image of the country and its system. Now many communities under threat are likely to be able to stay where they are

Dr Viljoen promised that resettlement will be reduced to the "absolute minimum," will take place only by prior agreement with the community leaders concerned and only where removal would result in a better standard of life.

Thus far, South Africa has largely avoided the unplanned, chaotic development of shanty towns and favelas outside the cities which are such a prominent feature of Asia, Latin America and the rest of Africa. This has been achieved by strict influx control and the removal of "surplus" people to far-off "Bantustans", but the pressures of rising population and rural drift are rapidly changing the picture. Not 20 kms from the Cape Town parliament lies Crossroads. It is the biggest shanty town in South Africa, a jumble of cardboard and tin-can homes without electricity or paved roads and only the most rudimentary water and sanitary facilities.

The granting of freehold rights will affect mainly the small but growing black middle class. Of greater interest to the aspiring urban black of limited, in many cases virtually no means, is the new attitude towards squatting and shanty towns. The Government remains opposed to unplanned squatter communities. But it is developing new sites for controlled squatting.

It is difficult to know what to call the new system which is growing up in South Africa. But it is not apartheid as it was once known.

FINANCIAL TIMES

Tuesday February 5 1985

PARTY COMPROMISE AVERTS IMMEDIATE THREAT TO POWER

Tanaka's primacy under fire

BY JUREK MARTIN, FAR EAST EDITOR, IN TOKYO

MR NOBURO TAKESHITA, the Japanese Finance Minister, has come close to challenging directly the undeniable control that Mr Kakuei Tanaka, the convicted former Prime Minister, exerts over Japanese politics.

An outright confrontation between the two men appeared yesterday to have been averted, but the implication of political mortality now laid at Mr Tanaka's door has Tokyo buzzing with excitement.

What Mr Takeshita did looks harmless enough, but not by the lights of domestic politics, which revolve so much around personal fiefdoms. Last week he announced his intention to set up what is known as a "study group", which is a standard device to promote the cause of would-be party leaders and prime ministers.

Mr Takeshita has been widely acknowledged as one of the favourites to succeed Mr Yasuhiro Nakasone within the next two years, along with Mr Shintaro Abe, the Foreign Minister; Mr Kiichi Miyazawa, the senior party official and former Cabinet member; and perhaps Mr Sumu Nikaido, the ageing but suddenly ambitious party vice-president.

The difficulty is that both Mr Takeshita and Mr Nikaido belong to Mr Tanaka's political faction, the largest in the ruling Liberal Democratic Party. Since resigning as Prime Minister in 1974, Mr Tanaka has never permitted a member of his faction to stand for the party leadership.

Indeed, only last year he expressly forbade Mr Takeshita from challenging Mr Nakasone and later reprimanded Mr Nikaido for being involved in last autumn's unsuccessful plot to unseat Mr Nakasone, whom Mr Tanaka had been instrumental in putting in power in 1982.

This time, when he heard that as many as 80 to 90 of his 120-strong faction might joint Mr Takeshita's new group, Mr Tanaka concluded it smacked too much of a faction within a faction.

Once he might have squashed such *lèse majesté* without a further thought, but there is a restiveness abroad now both in his faction's younger rank and file and among some of its senior members; two of those, Mr Takeshita and Mr Nikaido, have made their ambitions clear, while an influential third, Mr Shin Kanemaru, is LDP secretary general and an open supporter of Mr Takeshita, to whom he is related by marriage.

The agreed compromise, negotiated, almost inevitably, by the arch-middlemen, Mr Nikaido and Mr Kanemura, is quintessentially Japanese in that everybody will save face. Mr Takeshita's study group will be inaugurated on Thursday night, but the occasion will take place in Mr Tanaka's offices, not in a downtown hotel, and only about 30 members will sign up.

On the previous evening, there will be a special meeting of the full faction to reaffirm its unity, under Mr Tanaka, of course, but Mr Takeshita will be given a new factional post that recognises his importance and Mr Nikaido will not lose out in consequence.

The net result, however, is that Mr Tanaka appears to have been obliged to give way, which is not exactly his wont. If the perception that his iron grip is weakening gains hold, the equations that comprise Japanese politics will have been subtly changed.

Pentagon may vet exports to allies

By Nancy Dunne in Washington

THE PENTAGON has been empowered to review some high-technology exports to America's closest defence allies in addition to sales to 15 other non-communist countries as a result of a recent White House decision, say trade sources in the U.S. capital.

A confidential memorandum, authorised on January 4 by the White House after failure by the commerce and defence departments to settle their long-running dispute over jurisdiction of licensing authority for trade in strategic goods, gives the Pentagon review rights over seven categories of products.

The 15 countries suspected of being conduits to high-tech sales to Comecon, according to two Washington trade publications, are Austria, India, Finland, Sweden, Liechtenstein, Switzerland, Hong Kong, Libya, Syria, Malaysia, Singapore, Iran, Iraq, Spain and South Africa.

The memo of authorisation reportedly specifies that the listed countries will not exceed 15 at any one time.

A complicated procedure has been established for placing CoCom members on the suspect list if warranted. If the Pentagon requests the addition – and the Commerce Department disagrees – then the matter is referred to a special Administration committee. Ultimately, an appeal can be made to the President.

The memo directs the Commerce Department to send to the Pentagon and State Department for analysis a compilation of strategic export cases processed during the previous quarter and involving exports to CoCom countries.

The products specified for review include electronics and semiconductor manufacturing equipment, measuring and calibration equipment, microcircuits and integrated circuits, computers, silicon and other components, sapphire substrates and carbon-carbon technology and manufacturing.

At the insistence of the Commerce Department, which is concerned that the Pentagon review capability will cause delays in the already lengthy export licensing process, strict deadlines have been set up for Pentagon input.

The Defence Department must notify the Commerce Department within seven days of receiving an application if it wants to exercise its review rights. It then has 15 working days after referral to examine the licence request and state any specific objections.

Disagreements would then go on to a technology transfer steering group, which is weighted heavily in favour of national security.

The January 4 memorandum is said to direct establishment of a computer link between the Commerce Department and the Pentagon for information exchange.

New Delhi businessman says he passed secrets for 25 years

BY JOHN ELLIOTT IN NEW DELHI

A NEW DELHI businessman at the centre of India's spy scandal yesterday claimed that he had been passing secret defence and political information to France, East Germany and Poland in an operation he had conducted for 25 years.

The confession by Mr Coomer Narain, which considerably widens the scope and significance of India's biggest spy scandal, was given in closed court yesterday, a few hours after two senior civil servants, whose office staff had leaked documents to the businessman, left their ministries on permanent leave.

The senior civil servants are Mr M. C. Sarin, production secretary in the Ministry of Defence (equivalent to a second permanent secretary in the UK), and Mr A. S. Baijal, an additional secretary (equivalent to deputy secretary) in the Ministry of Finance.

Mr Sarin was in charge of all the Government's defence production and purchasing, including foreign contracts, while Mr Baijal was responsible for all financing arrangements made by India with other countries and international agencies.

The two men's personal assistants have been arrested for passing documents to Mr Narain, the Delhi representative of S. L. Maneklal, a Bombay-based trading company.

The assistants had access to almost every important defence and economic plan and contract drawn up by India.

Mr Narain said he had made millions of rupees out of his activities and confirmed speculation that the leaking of confidential documents had started with economic and industrial activities and later spread into sensitive areas such as defence production, political planning and India's relations with other countries.

He said he started by visiting various embassies in New Delhi, obtaining foreign contracts for his own company. In exchange he passed on Government secrets. Civil servants and embassy contacts visited his Delhi office, where documents were photocopied.

In another confession, Mr S. Sankaran, former private assistant to the President of India's press secretary, said he was only paid 50 to 200 rupees ($3 to $14) for information.

East Germany and Poland were mentioned yesterday for the first time in connection with the spying. Mr Narain is also believed to have confessed that he passed information to another country in the West and to one in Asia.

France has been implicated since the scandal broke just over two weeks ago when its deputy military attaché was withdrawn from Del Delhi. Its ambassador to India is also being recalled to Paris as a gesture by the French Government that it wishes to appease India, which has pressed for action.

France has told India, however, that it expects its new nominee for ambassador to be approved, as is customary, within a few weeks, so deftly indicating that it is up to India to decide whether to deepen the diplomatic rift.

France has assiduously courted India for some years.

Lockheed earnings jump 31%

BY TERRY DODSWORTH IN NEW YORK

EARNINGS at Lockheed, the leading Californian-based defence and aerospace company, soared by 31 per cent last year to $344.1m, as it benefited from a strong performance in its military and space programmes.

The results easily set a record for the group, which only three years ago declared a loss of $312m. Since absorbing that deficit and abandoning its L-1011 TriStar, Lockheed has engineered a dramatic profits recovery, earning $207m in 1982 and $263m the following year.

The 1984 earnings, the equivalent of $5.26 a share, against $4.16 a share the previous year, were achieved on sales of $8.1bn compared with $6.5bn in 1983.

Fourth-quarter net income amounted to $108.6m, or $1.65 a share, against $83.6m, or $1.30, while sales jumped from $1.9bn to $2.5bn.

Lockheed, which resumed dividends in the second quarter of last year after a 14-year lapse, has also substantially strengthened its balance sheet in the last 12 months. Net worth increased during the year by $326m to $1.15bn, while debt was cut from $670m to $428m at year-end.

Mr Roy Anderson, chairman, said that last year's increase in earnings was largely attributable to revenues from the company's newer programmes, such as the Trident II missile, space shuttle ground processing and the Milstar space-based constellation of communications satellites – units that are made to operate under extreme conditions.

By the end of the year, total orders booked amounted to $22.8bn against $19.6bn a year earlier.

Turbulence for Airbus, Page 14

Over 2,000 miners return

Continued from Page 1

Some board officials had hoped for an even greater return to work yesterday after the failure of last week's "talks about talks". Mr Michael Eaton, the NCB's spokesman, said, however, that the return was in line with predictions. He forecast that the trend would continue. Mr Scargill claimed that the board's figures for returning miners were "wildly exaggerated".

Mr Pat Lowry, chairman of the conciliation service Acas, will today meet senior NCB management after a meeting yesterday with Mr Scargill. He insisted that he was only acting as a communicator. No new initiatives seem to have been raised in these discussions.

The Commons debate was the first to have been held on the dispute for three months.

Israeli Cabinet approves currency-outflow curbs

BY DAVID LENNON IN TEL AVIV

THE ISRAELI Cabinet last night approved a series of steps proposed by the Treasury to stem the drain on Israel's dwindling foreign currency reserves.

Among the new measures are a doubling of the travel tax for Israelis going abroad to $200; imposition of a 15 per cent tax on airline tickets for overseas travel; an increase in the special deposit for imports from 40 to 60 per cent; and an increase in the special tax on car purchases from 2 to 3 per cent.

The Cabinet also altered the terms available on savings in dollar-denominated accounts. These accounts will bear interest only after being held for one year instead of after three months as until now.

These moves are aimed at slowing the continuing erosion in the country's foreign currency reserves which fell by $885m in the past three months to $2.3bn.

Most economists believe the measures will have only a minor impact on the outflow of foreign currency because about 90 per cent of this is caused by the servicing and repayment of the foreign debt of some $20bn, and the budget deficit.

Mr Yitzhak Modai, Finance Minister, had recommended even more drastic measures including higher property taxes but these were rejected by senior cabinet ministers.

Israel was rife with rumours yesterday of an imminent large devaluation – as recommended recently by the U.S. – along with other stringent measures to bring the economy under control.

Europe's wise men bow down to the U.S. boom

By Jonathan Carr in Bonn

THE MOTTO of this year's Davos symposium, which brought together more than 600 top international executives and political leaders, could well have been "The entrepreneur as Superman." A car sticker produced for the occasion shows a dynamic businessman soaring heavenwards, evidently leaving problems of recession and debt far behind, him.

Appropriately the figure on the sticker looks a bit like Ronald Reagan, for the U.S. is largely responsible for the mood of optimism that prevailed at the week-long gathering. The U.S. economy is clearly felt to be pulling off something of a miracle – so far – and the rest of the world wants to know the magic formula.

So it is that, in marked contrast to the last year or two at Davos, mournful discussions on the debt crisis and the possible dislocation of the world's monetary system receded into the background. Instead, both in formal sessions and informal talks, the accent was on "deregulation," "privatisation," "promotion of individual initiative" and other elements associated with the "Reagan miracle."

For all the buoyancy of the meeting, the same nagging questions have emerged time after time – albeit not strong enough to destroy the mood. Could it be that the U.S. boom will go bust and the dollar plummet because of the record budget and current account deficits? And, if so, what will be left of that vision of the U.S. superman surging into a "new entrepreneurial era?"

Mr. R. T. McNamar, Deputy U.S. Treasury Secretary, clearly had no doubts. In his view, the dollar was strong because international investors had decided the U.S. economy was performing relatively better than others and had placed their funds accordingly.

If the U.S. reduced its budget deficit as it planned, Mr McNamar said, that would be one more reason for foreign confidence. In other words the dollar could well become stronger still.

He warned the Europeans that the U.S. was building up a big advantage over their "more structurally rigid and overly regulated economies" and "we will continue to out-perform you until you change."

Many Europeans were irritated by Mr McNamar's sharp tone but thought that there seemed to be a lot in his analysis. It was U.S. executives who seemed most disturbed by the vision of still greater foreign confidence in their country and its currency. "Our sales have been increasing in Europe," noted Mr Rand Araskog, chairman of ITT. "But our reported results in dollars show a significant decline."

That, he indicated, could not go on indefinitely.

$ continues record climb

Continued from Page 1

tervention was relatively modest – probably about $80m to $100m. Earlier, there were reports that the Japanese central bank was selling $200m to $250m in the Far East.

The increased scale of British official intervention in the currency markets was indicated yesterday by figures from the Treasury showing that its gold and foreign currency reserves fell by an underlying $282m in January to $15.521bn.

That indicated a considerably larger scale of intervention than at any time since the winter of 1982. The fall in the reserves then was much larger, however.

At a dinner in London at the Overseas' Bankers Club yesterday Mr Nigel Lawson, the Chancellor of the Exchequer emphasised the use of interest rates as a policy weapon.

THE LEX COLUMN

Biological urges at Volvo

The acquisition by Volvo of a 26.6 per cent voting interest in Pharmacia, the Swedish pharmaceuticals group, was presented by the motor company yesterday as an important contribution to Sweden's biotechnology industry. Well, maybe. The more sceptical simply took the deal as fresh evidence that Volvo's cash balances are burning a hole in the corporate pocket.

Volvo is certainly in a most unusual predicament. Hemmed in by a dividend freeze and exchange controls it finds itself the custodian of liquid assets which totalled about SKr 12bn at the end of last year.

There is a limit to the number of car and truck plants Sweden can comfortably accommodate, so diversification looks the only way of using up the cash.

This is perhaps an uncharitable view but Volvo shows no sign of abandoning a diversification strategy which to date has produced very mixed results. The company already has interests in biotechnology but the general view in Stockholm yesterday was that management time could be better spent sorting out problems in the troublesome STC oil-trading business.

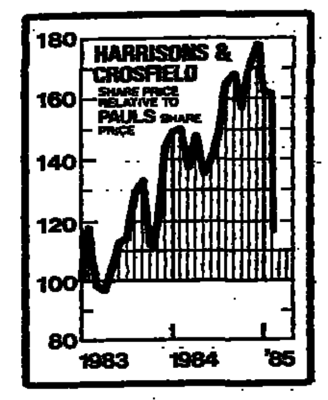
Last year's disposal by Volvo of its 25 per cent holdings in Atlas Copco and Stora Kopparberg suggested that the company had abandoned, at least for the time being, any ambition to build a portfolio of companies to rival the Wallenberg collection.

This latest deal does not bring Volvo into direct conflict with the Wallenberg interests, as the earlier transactions did, but that will be of precious little interest to overseas shareholders who thought they were investing in a motor company rather than an Oppenheimer of the North.

Harrisons/Pauls

The board of Pauls may have been a little intemperate at the weekend by insisting even before it saw Harrisons & Crosfield's bid that independence was in shareholders' best interest met reaction to yesterday's terms suggests that Harrisons has not yet delivered a knock-out blow. Pauls' shares closed at 345p, up 92p for a premium of 9p over the value of the share offer and 25p above the cash alternative.

The bid does make commercial sense for Harrisons. Having sold majority stakes in its Malaysian



plantations, it has both the cash and the inclination to start buying in the UK. The industrial fit is about as close as Harrisons could get given the lack of palm oil plantations in Britain.

The timing is pretty good. Harrison has caught Pauls after its fat has been trimmed but before shareholders have seen the results. The acquisition could be made with very little earnings or asset dilution on either version of the offer.

But with Harrisons' hands-off management style, Pauls would probably be run much as it is now. So the only practical advantage to Pauls might be lower gearing. Pauls debt now hovers around 50 per cent of shareholders'. Funds for the combined group that would fall to 12.6 per cent if everyone took the share offer, or 40 per cent on 100 per cent cash acceptances. Pauls is not, however, in any financial trouble and could no doubt raise any cash it needed.

While Harrisons reconsiders its offer, it may need to keep an eye over its shoulder for counter-bidders. Obvious competitors of Pauls like Dalgety or Unilever could run up against monopoly problems, but Bibby might well get away with it. There must also be plenty of foreign food manufacturers who look at the level of sterling and think Pauls is cheap at the price.

Hillsdown

If Hillsdown Holdings were a plain old food-manufacturing company with a profits record typical of the sector, the UK tender offer which closes tomorrow would attract a striking price of around 115p and everyone would go home happy, and rather bored.

As it is, London stockbrokers have shown fraternal unanimity in assuming quite a hefty premium to the sector, with a striking price of between 125p-130p. There is considerable enthusiasm for an aggressive if not very public management, the issue is small and Hillsdown's tax charge will take some while to rise to the sector average. At 130p, the company would raise around £37m net of costs and the reduction in interest payments this year would have a substantial effect on earnings. Moreover, Hillsdown should be well placed to buy growth from troubled companies, even if the resurrection effect may be getting harder to repeat.

Despite scepticism on this score, institutions may be looking to rebuild their holdings in a sector rather depopulated of late; those interested in hanging on to Hillsdown beyond the end of the account might do well to tender generously.

Currencies

A contentious budget plan that nobody believes in can go down very badly from a Government that is out of financial favour, as the affair of Mr Nigel Lawson's British public spending paper showed the other week. For Mr Ronald Reagan, on the contrary, the mere fact that his expenditure plans are bound to upset Republican Senators and Democratic congressmen in mutually conflicting ways seems in itself to be good for confidence in the dollar. If nothing else, prolonged failure to settle on a new pattern of spending cuts or tax increases will allow the deficit to pull in portfolio dollars on just the same basis as before.

In this context, yesterday's efforts at central bank intervention – largely by an avowedly concerned Bundesbank – looked peculiarly ineffectual. Although there is still some nevousness left over from the Washington agreement, speculators will now have grown more confident that they can avoid real punishment; to see that the dollar could be pushed through an acknowledged chart point, weather resistance from the Bundesbank, and finish higher still, may well encourage further audacities. Unless the Federal Reserve openly takes up an internationalist stance, treating the high dollar as a reason for easing its monetary policy, monetarist speculators will doubtless go on buying dollars.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	—	—	Dubrovnik	S	5	41	Malaga	F	15	59	Salzburg	S	2	36
Akrotiri	S	17	63	Faro	C	18	64	Malta	C	16	61	Seoul	C	4	39
Algiers	S	19	66	Florence	S	15	59	Manila	S	34	93	Singapore	C	31	88
Amsterdam	C	7	45	Frankfurt	F	8	46	Miami	F	26	79	Stockholm	S	-12	10
Athens	C	6	43	Funchal	F	17	63	Milan	C	4	39	Strasbourg	-	—	—
Bahrain	S	21	70	Geneva	C	4	39	Moscow	C	-3	27	Sydney	S	22	72
Bangkok	S	32	90	Gibraltar	S	16	61	Munich	S	3	37	Taipei	S	22	72
Barcelona	S	15	59	Guernsey	S	8	46	Nairobi	F	27	81	Tangier	-	—	—
Beirut	R	13	55	Helsinki	C	-14	7	Naples	S	11	52	Tehran	-	—	—
Belgrade	C	-2	28	H. Kong	C	19	66	New Delhi	C	25	77	Tel Aviv	C	16	61
Berlin	F	0	32	Innsbruck	S	3	37	New York	Sn	-1	30	Tenerife	F	21	70
Biarritz	-	—	—	Inverness	F	9	48	Nice	-	—	—	Tokyo	F	11	52
Blackpool	C	7	45	Istanbul	C	0	32	Oporto	F	15	59	Toronto	F	-10	14
Bordeaux	-	—	—	Jersey	S	7	45	Oslo	Sn	-6	21	Tunis	C	15	59
Brussels	S	7	45	Jo'burg	S	29	84	Paris	S	6	43	Valencia	S	13	55
Budapest	S	-2	28	Las Palmas	S	20	68	Prague	S	-1	30	Venice	S	7	45
B. Aires	-	—	—	Lima	F	25	77	Reykjavik	C	0	32	Vienna	S	0	32
Cairo	F	19	66	Lisbon	R	16	61	Rio de J'o	S	35	95	Warsaw	Sn	-3	27
Cape Town	S	24	75	Locarno	S	5	41	Rome	F	14	57	Zurich	S	4	39
Caracas	C	25	77	London	C	10	50								
Casablanca	-	—	—	Los Angeles	F	15	59								
Copenhagen	C	-2	28	Luxembourg	S	4	39								
Corfu	S	11	52	Madrid	S	10	50								
Dublin	C	8	46	Majorca	S	12	54								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Reagan seeks deep spending cuts

Continued from Page 1

million) military build-up, see his $313.7bn defence spending proposal as an opening position in the tortuous bargaining process with Congress which will now ensue.

"It is not a question of whether it (the defence budget) will be cut, it is a question of how much it will be reduced," said Senator Sam Nunn, the senior Democrat on the Republican-controlled Armed Services Committee. Senator Barry Goldwater, chairman of the Senate Armed Services Committee and a key figure in the defence debate, said the defence budget "can and will be reduced." The President is proposing a 6 per cent rise in defence spending in real terms.

The President and Mr David Stockman, his budget director, expect a tough battle with Congress over the spending cuts as well as on defence. Although many analysts believe Mr Reagan will secure many of the changes he wants, a stalemate on deficit reduction this year is still not completely ruled out.

"These are big programmes. They have powerful and big constituencies behind them, but in the fiscal circumstances we face today we have no choice but to reform them," Mr Stockman said yesterday in defending the programme.

He stressed, too, that the Administration believes its proposals, which target the middle classes for a big share of the reductions in federal subsidies, "recognise our social contract with the poor, the elderly and the disabled."

The economic assumptions which the Administration is making for 1985 and beyond are not substantially different from those which were made a year ago, although there has been a reduction in its estimates for interest rates in 1985, 1986 and 1987 which helps to yield some savings on debt service costs.

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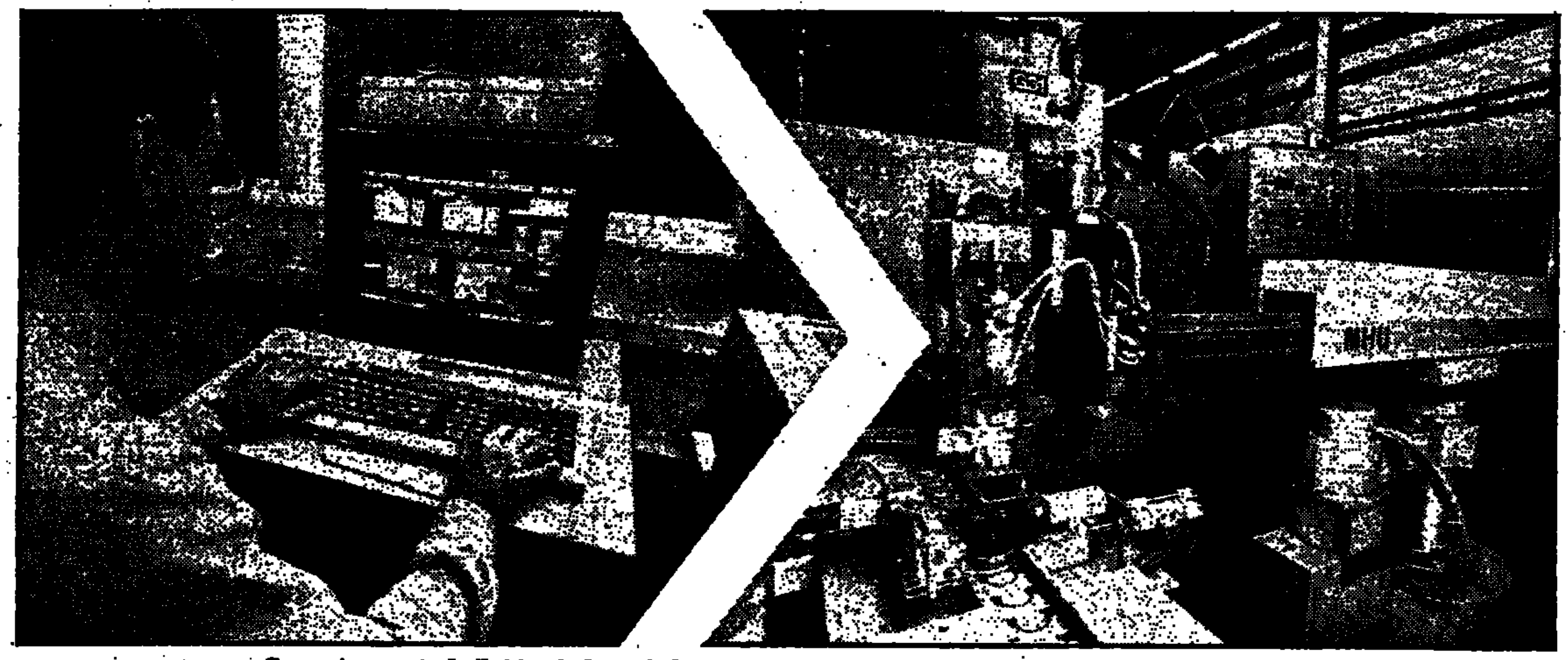
FINANCIAL TIMES SURVEY

Manufacturing Automation

The potential for streamlining manufacturing techniques has never been greater. Advances in computer control enable Western manufacturers to resist competition from low-cost countries.



Computer control (left) of the grinding line for Rolls-Royce RB-211 engine turbine blades

Pressure to innovate

By Ian Rodger

"INNOVATE OR emigrate." That chilling slogan is being adopted by an increasing number of Western manufacturers, as they face growing pressure from competitors with low-cost operations in developing countries.

Fortunately, the potential for innovation in manufacturing has never been greater than it is today, offering a real alternative to emigration. The so-called advanced manufacturing technologies (AMT) offer major opportunities to makers of most engineered products to cut costs and improve quality and service to the customer.

The key attribute of AMT is flexibility. Machinery has long been available to automate long, high-volume production runs such as those found in the car industry or process industries.

The new flexible technologies, whether for designing, shaping, handling or assembling products, are also applicable to small-scale, small-batch production, and so hold out the promise of improving the competitiveness of thousands of small and medium-sized manufacturers.

As recently as a year ago, AMT was still considered by many experts to be a "missionary sell." In other words, it was so new that most potential users, particularly smaller manufacturers, had to be convinced that it was available and worked.

That period is now clearly over. In the past year or so, a number of advanced systems have been installed, proving the practicality of AMT in a wide variety of applications, from sorting shoes to making wiring looms for complex machines. And many more are on the way.

The boom predicted for the suppliers of equipment and software for the shop floor is now occurring, with some sectors, such as robotics and computer-aided design, growing at over 30 per cent a year. By 1990, the entire AMT industry is expected to have annual sales of more than \$30bn which would be quite an achievement for an industry that is still very much in the embryo stage.

Indeed, it is still difficult to predict the ultimate shape and structure of this industry. A year ago, it looked as if the giant electrical and electronic companies, such as IBM and General Electric of the U.S., were going to march in and take away the leadership of the industry from machinery makers.

But that has not happened so far. Instead, the main contractors on big AMT projects have tended to be the leading specialists in a particular sector. For example, almost all the major flexible manufacturing systems (FMS) built in the last couple of years have been made by the top machine tool builders, such as Cincinnati Milacron, Ingersoll International, and White of the U.S., Comau of Italy and Scharmann of West Germany.

Similarly, the big contracts for materials handling systems have been won by companies such as BT of Sweden and Jungheinrich of West Germany.

However, there is no doubt that the importance of electronics will continue to increase, especially as attempts are made to achieve what is often called computer-integrated manufacturing (CIM), that is, linking various islands into integrated systems under the mangement of computers. And it is reasonable to assume that the makers of computers will play a larger role in the development of these systems.

General Electric of the U.S. has been among the most enthusiastic of the big electric companies about the AMT market, buying Calma, the computer-aided design company a few years ago and taking out licences to make several Japanese robots. It also makes programmable logic controllers (PLCs), motor drives, sensors and lasers.

Westinghouse acquired Unimation, one of the top U.S. robot makers, for \$107m in 1983. IBM has become one of the leading suppliers of CAD systems and last year made an arrangement to supply its personal computers for use as programming aids on Cincinnati Milacron machine tools.

Elsewhere, Britain's General Electric Company has entered the AMT market. Its electrical projects division has undertaken projects at two sister companies and recently set up a joint venture with British Aerospace to do others.

Philips of Holland and Siemens West Germany are other electrical companies showing an increasing interest in AMT markets.

On the other hand, the recent acquisition of Allen-Bradley, the leading U.S. controls maker, by Rockwell, an engineering and aerospace group, for \$1.65bn, suggests other types of companies as well will attempt to take leading positions in the industry.

Many observers have worried about potential competition from Japanese AMT suppliers, having witnessed the Japanese successes in recent years in selling robots, numerical controls and numerically - controlled machine tools in world markets. But with a couple of exceptions, the Japanese have not been very active in European and North American AMT markets, perhaps because of language and distance barriers to their providing the high degree of customised engineering required in AMT systems.

Indeed, the main issues in AMT today are not so much technological as conceptual and managerial. For both suppliers and users, the most worrisome problems are the practical ones of designing sensible systems, choosing the right suppliers of equipment and preparing for the inevitable significant changes in their organisations.

For the suppliers, system programming is a largely uncharted territory and thus a major headache. Ingersoll International is recognised as being among the most advanced users of AMT in its own operations as well as being a supplier of engineering, machines and systems. But Mr Edson Gaylord, Ingersoll's chairman, remains humble about the U.S. group's software skills and, in particular, its ability to estimate how much software effort will be needed on any given project.

"It's really a struggle. We know how to do it, and we are learning every day to do it better," Mr Gaylord says.

For users, the key issues at first are those of costs and benefits, but these soon become less important than the human ones. An automated factory, or even a part of a factory that is automated, operates in a very different way from a conventional one, and different shop-floor organisation structures are needed. In some cases, automation can affect the organisation of an entire company.

Consider, for example, a hypothetical case of a manufacturer with a totally automated production system. From a simple electronic signal from a distant salesman that he has won an order, the central computer initiates production, supervises all the machining, handling, assembly and test functions and even generates orders for new materials and tools to replace those used.

Challenge for Management is the theme of the third Financial Times Automated Manufacturing Conference, to be held in London on February 20 and 21. Details on Page 6.

This degree of automation, which is beginning to appear in factories already, obviously eliminates a number of manual and skilled jobs. But it also plays havoc with the traditional roles of various supervisors and even directors. In effect, it is the lowly salesman who controls the production line.

"Our lives are almost run by the system," Mr John Devaney, managing director of Perkins Engines, the British diesel engine maker, says of the company's increasingly integrated production and management operations. "Management has to make different types of decisions, with much less gut feel. It used to be that if something happened, I would do something or pick up the phone. Now I find myself drawn into a discussion with the computer."

With that kind of change in prospect, managers must plan very carefully before committing themselves to automated systems.

For those who do plan and implement well, the rewards can be handsome. The main tangible benefits offered by flexible automation include reduced work-in-progress, reduced defect rates and faster response to customer demand.

Rolls-Royce, the UK aero engine maker, has financed several million pounds worth of investment in automation at its Derby works solely on savings in working capital. For example, the savings from a new £4m system for machining turbine blades covered the cost of the system in only 12 months.

The company is looking for a similar payback on a £10.3m system for machining turbine wheels and compressor discs now being installed. This will come through cutting production lead times from 26 weeks to six weeks and reducing the number of high-value parts tied up in the manufacturing process by about two-thirds.

Rolls is perhaps not an entirely typical manufacturer in that the components it manufactures are extremely expensive. A small high-pressure turbine blade, for example, costs about £300 and some discs and wheels cost over £10,000 apiece. Thus, the incentive to reduce work-in-progress is enormous. Other manufacturers, whose material costs are less imposing, must look more carefully for other benefits.

Brian Small, joint managing director of Ingersoll Engineers, points out that the financial payback on most flexible manufacturing systems tends to be three to five years, which is marginal for a major investment. But other considerations can swing the balance, such as making the FMS part of an overall automation programme, or achieving better quality and better service to customers.

As one manager said of a big AMT investment, "we have just spent £3.5m on our customers." He was also investing in not having to emigrate.

Production links incomplete

Design

GEOFFREY CHARLISH

Hugh Routledge

Operator at Perkins using a computer-aided design system to work on a diesel engine drawing

INTEGRATION IS a feature of half the papers to be given in the manufacturing sessions at the forthcoming Computer Graphics 1985 conference at the Barbican Centre, in London.

Typically such papers describe computer-integrated manufacturing (CIM) as "the way ahead" and as a "do or die" technology.

CIM has its roots in computer-aided draughting and design (CAD), now nearly two decades old. But for those manufacturing companies — albeit a diminishing band—that have yet to deploy CAD, let alone integrate it with anything else, the technology rush must seem a little daunting.

How close are we to having a group of integrated computers run a plan in unison, from product design through engineering, manufacture and test to packaging?

Because different groups of experts inevitably have attacked these areas piecemeal, unison will take time to achieve. Designers of the various automation sectors — CAD/CAM, machining, inspection, assembly, materials handling, autotest and the rest—do not habitually talk to each other; they usually work for different companies.

It is on the cards, however, that CIM will grow around CAD, and the reason lies in what computer people call "the product database"—an electronic store of information about the product automatically produced by CAD.

In CAD, the designer uses screen and keyboard instead of paper and pencil. By moving a special stylus over either the screen or a separate graphics tablet, the designer can "draw" what he or she wants and can call up standard forms (circles, rectangles, cross hatching for example) from the computer's "library," placing them where he wants on the screen.

All draughting is a "cut and try" process and becomes much easier and quicker with CAD. Those who need "to pore over the blueprints" can do so from a paper copy produced at high speed on an automatic plotter—without tying up the CAD workstation. Subsequent drawing revisions are done in quick time on the screen, not laboriously on the drawing board.

The computer's software will turn the designer's front, side and top elevation into a 3D "wire form" representation of the product which he can then rotate, zoom in on, compress, stretch and otherwise manipulate. Hidden lines can be removed, to improve reality, and with more expensive software, the surfaces can be filled in to give a 3D colour "model" almost indistnguishable from a colour photograph.

The salient point, however, is that the product is now completely defined geometrically—and much stems from that.

For example, by adding materials density data and more software, volumes and weights become available for bill of materials purposes. Using the same data, tool cutting paths can be worked out on screen before tool ever touches metal. The system can then be made to cut a punched tape for the machine tool (or nowadays, send signals direct to the tool's memory). This CAD extension is called CAM (computer-aided manufacturing).

Another derivative—from the same database—is CAE, or computer-aided engineering. With the geometry and composition defined, engineers can apply programs to reveal behaviour under mechanical or thermal stress.

It is even possible to simulate a whole plant with screen and computer before it is ever built as has been done by Istel of Oxford.

CAD/CAM/CAE, at one time requiring large, expensive computers, is coming downmarket with at least 20 companies in the U.S. offering systems based on the personal computer. The reason is that cheap, dense semiconductor logic and memory is producing micrpcomputers with the power of mid-1970s minicomputers, bringing the technique within the reach of many more engineers.

Cheap

Lower-cost PC-CAD has presented great opportunities for smaller vendors, of which Autodesk in the U.S. is prominent with its Autocad PC-based mechnical engineering software package — it may have won 25 per cent of the 1984 PC-CAD sales of U.S.-based companies according to market research company Daratech of Massachusetts.

But overall CAD market leaders computervision, IBM, Intergraph, Calma, McAuto and Applicon are quietly coming round to PC-based systems, even though these currently form only a small percentage of the total market.

Even with no PC-based surge, the CAD industry is set for another bumper year, according to Daratech. Sales of the U.S.-based companies alone will exceed $2.8bn and the growth figures for 1982, 1983 and last year were 28, 40 and 52 per cent respectively.

A particular fillip to sales resulted from the introduction of 32-bit computers into systems, making them able to carry out complicated tasks much more quickly with less waiting for things to appear on the screen.

At the top of the market Computervision and IBM continue to slug it out with Intergraph not far behind, according to Daratech, which puts the 1984 sales figures at about $560m, $520m and $470m respectively.

PROFILE: PHILIPS

Strong presence in control systems

PHILIPS of Holland is one of those companies you would expect to be increasingly interested in the manufacturing automation business.

It has a lot of expertise from automating its own substantial manufacturing operations as well as established positions in the machine and process control businesses and project management.

The company has indeed been devoting more thought and effort to its position in the manufacturing automation area recently. "This is a major growth market," says Mr Adrie Baan, managing director of Philips' commercial, scientific and industrial division. "If we were not in it now, we would miss a big opportunity."

Philips' presence in the sector up to now has been through its numerical control products. The company has been making numerical controls for machine tools since 1963 when it demonstrated one of the first European systems on a Scharmann machine. Like other U.S. and European suppliers, it was outflanked by Japan's Fanuc in the late 1970s, but it has held on to a solid 10-15 per cent share of the European market, behind Siemens and Fanuc.

Its main NC customer is Maho, the leading West German machine tool maker which takes about 1,200 controls a year. Contrary to reports last year from Japan that Philips was retreating from the field, the company says its sales were up 60 per cent in 1984, and it is increasing its product and market development efforts.

For example, it is trying to convince some European machine tool builders to replace Fanuc controls with Philips.

Mr Rudiger Kenkel, marketing manager for NC products, acknowledges that Philips output of 1,900 a year is only about a tenth of Fanuc's, but the Dutch company has been able to find competitive advantages elsewhere.

"We have developed three dimensional graphics which are ahead of the others, and we try hard to adapt the control to the customer's machine so the user can get the most out of it."

Later this year it plans to introduce five and six-axis controls. It is also alert to the growing demand for remotely controlled NC and is modifying its controls so they can be linked to hierarchies of computers.

Mr Kenkel believes a shakeout is at hand in the NC business but is convinced that Philips will survive.

"In every industrialised country now, you find there are four or five machine tool builders that have 80 per cent of the CNC machine tool market. So as a control supplier, we are vulnerable. We have to keep looking for the next big customer."

Apart from its NC base, the company has brought together a few developments made for automating its own production. For example, an automated transport system for small sub-assemblies is being marketed for Philips by IBM.

An electronic identification system for components, called Identi-Vision, has been developed and sold successfully to some automobile manufacturers. Its advantage over established bar code systems is that the part does not have to be close to the camera. Also, the label does not have to be oriented in a particular way.

The companies most recent offering is a general software package called a distributed real time multiprocessor system (DRM). As the name implies, it is designed to speed up the programming of complex production management systems in which a heirachy of computers co-ordinates the activity of a number of machines and materials handling devices.

It consists of an operating system for distributed computer systems and a set of software tools for developing application programs.

Mr Baan says the idea for DRM came from the group's research laboratories two years ago. The problem was to convince Philips management that it should be marketed as well as used within the group, and this was achieved last autumn.

Ian Rodger

Data networks: potential still being explored

Machine-shop systems

PETER MARSH

DATA communication is a key factor in machine-shop automation. Increasingly, individual machine tools in the more advanced engineering factories are becoming connected by data highways that are analagous to the telephone systems that link the world's homes and offices.

Whereas the ordinary telephone network carries the sound of people's voices, the factory highways act as a conduit for binary-coded messages sent between microcomputers in the individual sets of hardware. The messages could be instructions from supervisory computers to other grades of machine further down the plant hierarchy that may do physical work — such as gouging lumps out of a metal block with a cutting tool.

Alternatively, the data network could transfer signals between the different machines that keep each informed about what the others are doing. In this way, for instance, a robot that has to lift items from a conveyor on to a warehouse pallet would be told of any failures in the machine tools that are fashioning the items. It would thus receive an early warning of any changes in the production routine that would affect its own operation.

The commonest sets of factory equipment linked in this manner are called flexible manufacturing systems. These are networks of computer-controlled machine tools supervised by large computers. Such systems often incorporate automatic transfer mechanisms, sets or robots or unmanned carts for example, that relay metal parts in varying stages of completion between the different tools.

The supervisory computers send instructions to the tools on matters such as how to fashion different parts, the order in which the metal components will be presented to the machines, and the total numbers of finished products that are needed in a particular day.

Flexible manufacturing systems are useful primarily because they can turn out in an automated fashion different types of products within a family of manufactured items. By changing the programs in the main computers, for instance, the system can be ordered to make sets of, say, gear-box casings that are all slightly different in shape and so cater for a range of customers.

With conventional automated systems of the type devised a decade or so ago, the engineering plant was limited to making objects only in long, unbroken runs in which the type of product stayed the same.

Relatively few companies implement flexible manufacturing systems by ordering new equipment and starting from scratch. This strategy would cost several million pounds for a medium-sized system. In a more common approach, manufacturers link up computer-numerically controlled machine tools that they already own. Such machines are programed either by operators who insert commands by a keyboard in the side of the tools or (more usually) by white-collar workers who load into the hardware computer tapes produced off the factory floor. Factory managers see advantages in replacing either of these operations by commands from "master" computers that send their instructions direct to the machine tools by telecommunications links.

This is where problems start for many manufacturers who choose this route into flexible systems. It may be difficult to ensure that different makes of machine tools comprehend the same instructions.

This is similar to the problem faced by telecommunications engineers in seeking to link up by the ordinary phone network different types of computers or word-processors. The International Standards Organisation—the international rule-making body for standards whose UK member is the British Standards Institute—is working on communications protocols that would ensure that all modern computer-numerically-controlled tools understand the same computer language. But progress in reaching agreement between all the different machine-tool makers is bound to be difficult.

As an interim step, managers of machine shops can insert into their data networks "interface units" that act as a bridge between the supervisory computers and the tier of plant hardware under their control. These units, known as "black boxes," act as interpreters between the different types of hardware.

Two British companies, Tangram of Daventry and Practicon of Stoke on Trent, are among the leaders in supplying this kind of device. Kongsberg of Norway is another company active in this area.

Flexible manufacturing systems do not necessarily operate in isolation. They can be linked to other parts of the factory, for example the design and planning departments and the accounts office. Crucial in such networks of hardware are the communications links that carry messages between the computers on the factory floor and those in other parts of the plant.

If the system is working properly, accounts staff should be able to ask their computers to find out the impact that changes in factory-floor production are having on orders and work-in-progress. In this way, they would be able to see more clearly how hiccups in production affect the financial performance of their company.

If the problems over data distribution can be overcome, flexible manufacturing systems should cut running costs in many areas of small-batch production. A large saving is in the reduced requirement for operators.

In a system to produce bomb-release mechanisms for military aircraft operated by Normalair-Garrett in Crewkerne, the company needs only 13 employees who work around the clock in shifts. A workshop that makes the same number of items (70 a month) using conventional machining techniques would require a staff of 50.

A Citroen factory in Meudon, France, that makes car parts such as clutch housings and gearboxes with a flexible manufacturing system needs only 26 workers in this part of the plant — a reduction of nearly 50 per cent compared with the normal way of working.

On top of the quantitative savings, proponents of such flexible systems, say that there are also improvements in the quality of finished parts. And more efficient feedback techniques by which managers can keep in touch with events on the factory floor.

Crucial issues of change

Work practices

BRIAN GROOM

FACTORY AUTOMATION brings with it a host of issues beyond the introduction of the equipment itself. It often requires changes in skills and working practices among the workforce, retraining, changes to the organisational structure and industrial relations within the plant, and — crucially — stiff new demands on management expertise. Many companies are suffering problems in one or more of these areas.

It is not putting them off from stepping up capital investment in automation. A recent survey of 190 senior managers and directors by the magazine Works Management, carried out with the help of Burroughs Machines, showed that average capital budgets increased by 17 per cent in 1984-1985, compared with 12 per cent the year before — an overall rise of 31 per cent in two years.

In real terms, capital spending was about 20 per cent higher than two years before.

The number of companies with problems had increased from 47 to 56 per cent, compared with an earlier survey. This probably represented not so much an underlying deterioration in their competence, as the fact that more were embarking on automation seriously and pushing back the boundaries of their experience.

Hence the number of companies which felt they had insufficient technical expertise increased from 15 to 23 per cent.

Most seriously, however, it is on the technical competence, planning and control skills of line management that the heaviest demands are being made. Nearly 30 per cent of respondents to the survey listed line managers and supervisors as a problem area—four times higher than those who regarded shopfloor workers as a problem.

Change on the shopfloor is, however, at the heart of how successfully companies cope with the introduction of new technology. A great deal of attention is being focused on the role of maintenance craftsmen—only a small proportion of the total workforce, but vital to ensure uninterrupted production as micro-electronics is introduced to process control.

According to research by the London-based Technical Change Centre, changes are under consideration in industry which could radically alter the traditional organisation of maintenance craftsmen into "electrical," "mechanical" or "instrument" trades.

The centre has studied the food industry, where 41 per cent of establishments have introduced microprecessor-based control equipment. Fifty-three per cent said they wanted to reorganise their maintenance workforce, and in half of these companies proposals were already under discussion.

Colman's, the Norwich food manufacturer, for example, has reached an agreemnt with its unions aimed at achieving a multi-skilled workforce, because new plant such as high-speed packing and bottling lines require extra skills.

The aim in many companies is to repair faults more rapidly on new machinery which combines mechanical, electrical and pneumatic elements. At present delays are occurring while different craftsmen decide in whose trade the fault lies.

Five new craft occupations may emerge: "craft technicians," trained in a range of skills like electronics, hydraulics and diagnostics; "system-specialist craftsmen" who understand how integrated plant coheres as a whole; "machine-specialist craftsmen" who can do the range of tasks on a single complex piece of equipment; "dual-traded craftsmen" who acquire a skill in a second trade, like a mechanical fitter undertaking electrical work; and "cross-traded craftsmen," who learn extra skills within their original trade, like an electrician learning electronics.

In the long-term there may be "mechanicians" who move across the mechanical, electrical and microelectronic fields, and "user-maintainers" who operate and maintain a particular machine. The trouble is that progress throughout industry is slow: there has been more talk than action on introducing new craft grades.

As an interim measure, some companies are deploying craftsmen in multi-skilled teams. Some are asking semi-skilled production operators to become more responsible for identifying minor faults and making routine repairs.

Training is another problem. Some companies are slow in identifying their needs, often not being sure of what they want until the new equipment is in operation. There is a growing need for more training in diagnostics, electronics, and cross-trade skills.

The important thing for companies is to achieve the right degree of change at all levels of the factory. It is no use having a multi-skilled shopfloor workforce if they get no opportunity to use their new skills, or if rotating workers between jobs makes the factory less efficient than it was before.

Advanced techniques being explored

Machining

PETER MARSH

WITH THE TREND in machine shops around the world increasingly on linked systems in which computer commands replace supervision by a human operator, machine-tool companies face some special problems in redesigning their products.

Until relatively recently, a machine-tool company designed its hardware in the knowledge that a person would be directly in charge of the equipment for virtually all its running time. Changes in tools and workpieces, and monitoring of the machinery to ensure efficient operation, were functions that could be left to the human supervisor.

In many machine shops today, individual sets of hardware operate for much of the time unattended. The nearest operator may be the length of the factory floor away. This puts the onus on the equipment makers to produce techniques to fit in with this way of working — which the UK Machine Tool Industry Trade Association dubs "minimally manned manufacture."

The association, based in Macclesfield, has a research budget of about £1m and much of this is geared to exploring these new techniques.

Machine tools are traditionally divided into those in which the tool is stationary and the component being cut rotates—lathes and other "turning" machines—and equipment such as machining centres in which a rotating tool cuts, drills or otherwise fashions an immobile lump of metal.

As a general rule, it is easier to automate the second type of machine. In this hardware, raw components can be presented to the rotating tools fixed into position on pallets. Different pallets can be slotted into place relatively easily by automatic means.

A set of computer commands instructs the tool on issues such as at what speed to turn and for how long. Commonly, the computer also controls selection of one out of up to 50-100 individual tools which are stored in a carousel. In this way, the hardware can perform a wide variety of jobs, choosing a new tool for each task.

Hardware such as a lathe, however, presents different problems. Here the chuck of the machine holds in place a workspiece of cylindrical shape while it rotates and meets the stationary cutting edge of the tool. To change automatically workpieces of widely different sizes and shapes has been all but impossible until recently. This is because the designer must build into the machine a way of altering not only the raw component but the chuck that clamps the part in place.

Several manufacturers have addressed this challenge over the past few years. They now offer systems in which robot-type devices load and unload nwe parts and also change over the chucks and tools. The companies tackling these problems include Sandvik of Sweden, Traub of Germany and Yamazaki of Japan. Among the companies that include robots with their turning hardware for workpiece handling are T. I. Churchill of Britain and Okuma, a Japanese company.

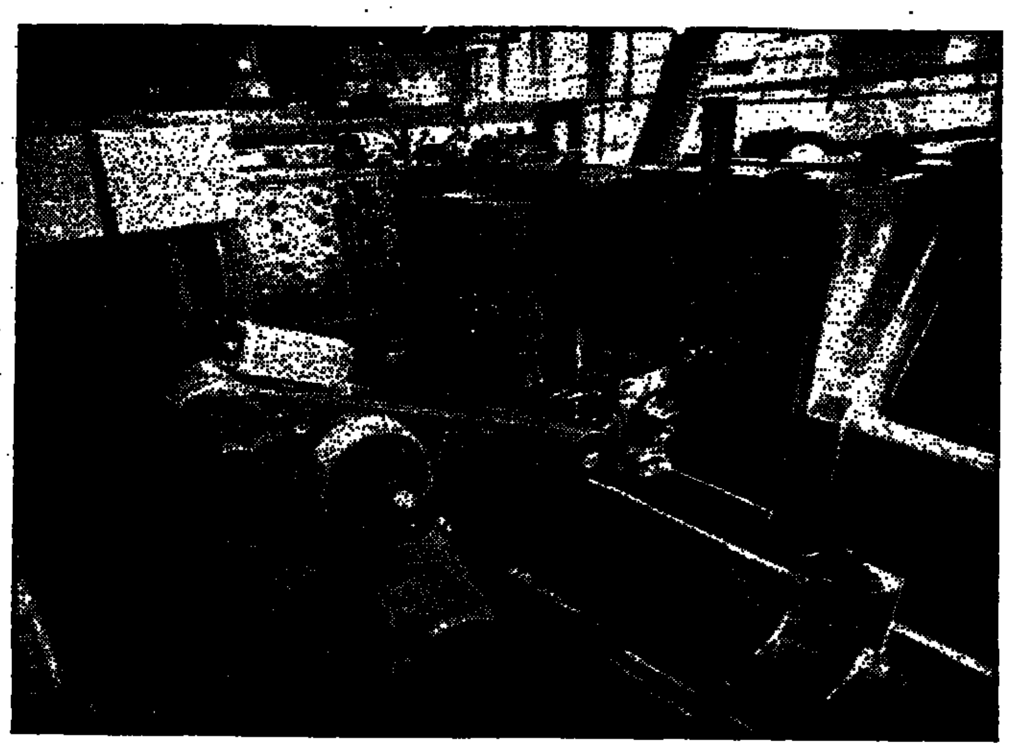
An often ignored area of machine-tool research is fixture design. The fixtures clamp a piece of metal, normally a casting in the sape required for the final product, on to a pallet used in conjunction with a machining centre. In many machine shops, engineers use standard systems of fixtures. With these, blocks of metal of widely different shapes can be held in position using the same set of modular clamping elements. The latter are joined together in the manner of Lego building blocks.

Two well-known sets of fixture systems are Bitico, sold by Parker Precision, and Holder, sold by Wix and Royd.

In some automated machining systems, it is important that the pallets leave the machine in a highly clean condition. This is so that swarf or dirt does not interfere with the fixture setting arrangements when workers load the pallet with a new lump of metal.

In some systems, a robot is deployed immediately after the pallet disengages from the machine. The robot directs a stream of water at the pallet to rid it of any loose bits of metal. Cincinnati Milacron has used its T3 robots to tend machining centres in this way.

Machine tool researchers spend much more effort fashioning improvements in traditional areas such as tool and spindle design. Thus there are continual attempts to increase the working lives of tools such as drill bits or cutters, or to ensure greater flaxibility in spindle speeds.



Hugh Routledge

A Dainichi-Sykes PT 600 robot machining car axle hubs at Jaguar, Coventry.

A new and increasingly important area for machine tool research concerns monitoring systems. With the move towards "minimally manned manufacture," designers must build into their machines sensors to perform the checks that a decade or so ago would have been left to people. Instrument makers such as Rank Taylor Hobson of Leicester play a part here in producing the monitoring hardware.

A variety of microchip-based sensors can measure factors such as cutting depths or tool wear and feed information along data highways to supervisory computers. The centre for micro-engineering and meteorology at Warwick University, run by Prof Devid Whitehouse, is one of Britain's leading centres in this area of sensor technology.

It is supported by about £200,000 worth of research grants from industry, of which a substantial proportion is based outside the UK.

Vision systems in which a TV camera monitors parts of a machine's operation, with the images being analysed automatically by a computer, constitute another important type of monitoring device. The hardware can keep a check on aspects such as tool breakdown and whether the machine is generating too much swarf.

Other machinery systems use touch sensors to monitor the position of tools or workpieces. A British leader in this area is Renishaw, which makes devices called touch-trigger probes to measure position. Among the other companies that sell equipment to monitor tool life are Yamasaki, Gildemeister, Emag and SMT.

PROFILE: WHITE CONSOLIDATED INDUSTRIES

BY IAN RODGER

Working hard to maintain expertise

FACTORY AUTOMATION buffs will undoubtedly argue for a long time over who built the world's first flexible manufacturing system (FMS). Cincinnati Milacron and Ingersoll International have claims, but so does WCI Manufacturing Systems.

Its system at Sundstrand Aviation in Rockford, Illinois was installed in 1965 for $6m and it is still gong strong, making aluminium components for aircraft transmissions and fuel pumps. The eight milling machines in the line use 40 tools to make 400 different parts.

That system was built by what was then the machine tool division of Sundstrand itself. But in 1977, White Consolidated Industries, the diversified home appliance and heavy equipment group, acquired Sundstrand's machine tool division as part of a strategy to rejuvenate its own machine tool business.

WCI already owned the Bullard Company, which made vertical turning machines but had not kept pace with the emerging electronic technology. Sundstrand, on the other hand, had been a pioneer to introducing numerical controls to its milling machines and had developed a line of machining centres. I t also produced its own numerical controls.

The acquisition put WCI in the top ten of U.S. machine tool builders in terms of sales, an unusual position for a conglomerate. In the past, conglomerates have not had much success in, or patience with, the highly cyclical machine tool business, and it remains to be seen if WCI will prove an exception.

So far, the financial results have been nothing to celebrate. Like all U.S. machine tool builders, the company has been hit hard by the slump in orders in the early 1980s. WCI does not publish separate figures for its machine tool business, but these make up the bulk of the $249m sales in the machinery and metal castings division in 1983, down 46 per cent from 1981.

Moreover, the division had losses in both 1982 and 1983.

However, there is no evidence that the group's enthusiasm for the machine tool area is flagging. Mr Roy Heldt, chairman, said in the 1982 annual report that WCI saw the market for flexible manufacturing systems as "a major growth and profit opportunity," and this belief was reaffirmed in the third quarter report last year.

Mr Michael Davis, president of WCI Machine Tool, is even more enthusiastic, wanting to lead the recovery of the U.S. machine tool industry. "We have unique opportunities to distinguish ourselves," he says.

WCI is in the first rank of builders of automated systems, and is working hard to maintain its expertise in this area. For example, it claims to be ahead of most of its competitors in the technology of so-called distributed numerical control (DNC) systems. These are systems in which application programs for machine tools are fed from remote computers.

In 1982, a new division called WCI Manufacturing Systems was set up to concentrate on the flexible manufacturing system (FMS) market, where Sundstrand was already well established. It and WCI have installed 10 systems to date, and the customer list includes Caterpillar Tractor, Boeing and Detroit Diesel Allison.

According to a recent study by First Boston, WCI is now one of the top three U.S. suppliers of FMS, alongside Cross and Trecker and Cincinnati.

WCI established a presence in Britain in 1980 when it bought the old BSA machine tool business from the liquidators of Alfred Herbert. In 1982, it started to manufacture Bullard lathes as well as the BSA automatic lathes and more recently has begun to make Sundstrand machining centres.

Employment has grown at the Kitts Green factory from 250 in 1982 to 305 today and the company hopes it will rise to 450 by next year. About 40 per cent of its volume to date has been in making machines and components for shipment to the U.S. parent company, but it is optimistic about landing its first FMS contract in the UK in the near future.

PROFILE: KEARNEY AND TRECKER MARWIN

BY ANNA KOCHAN

Carving a niche in the market

POISED, READY to face the future is how one of Britain's struggling machine tool companies, Kearney and Trecker Marwin, describes itself. Having gone through the most horrendous recession, as have most in KTM's business, the company is now busily carving itself out a niche in the market, and one which is beginning to extend across the world.

Brighton-based KTM is part of the £600m engineering group, Vickers. Its key product is a range of machining centres and, in the past, it has created a specialised field of business in two main areas: linear and rotary transfer lines for the automotive and related high volume industries; and profiling centres fo rthe aerospace industry.

Activities used to split three ways between the automotive, aerospace and general engineering industries. But that has all changed.

With the recession in the early 1980s, hittin ghome and export markets alike, KTM was forced to analyse its traditional markets and take severe steps to restructure the company. To begin with ,the automotive industry no longer wanted the dedicated production lines it had previously invested in. Market forces demanded greater flexibility, shorter lead times for new products, and also more frequent changes of model.

And looking at the aerospace market, the prospects for profiling machines showed little growth potential. Where there did seem to be room for expansion was in the market for linked machining systems for the medium batch, geenral engineering companies.

The machines KTM designed to satify the new requirements are highly sophisticated. They are all availabale with pallet changers so that they can be linked into automatic systems. They have large tool magazines to enable a large variety of operations to be performed on a numbzer of different parts using the same equipment. In addition, advanced numerical controls and an extensive range o fsoftware provides the capability to run the machines unmanned.

Not only has the product range been redesigned to supply systems capabilities but the company has also been reorganised in a number of ways. First, a manufacturing group has been set up to be responsible for multi-machine installations.

It provides single-source responsibility for systems which can include turning, washing and inspection equipment from a variety of vendors, as well as KTM machines. This single-source responsibility is what the customer wants, says Mr Jim Dawson, manufacturing systems director.

Collaborative agreements have also helped to create the strong systems capability KTM now possesses. Onep artner in such an agreement is Siemens of West Germany, which jointly produces and collaborates on software developments.

On the hardware side, a manufacturing agreement with Mitsubishi Heavy Industries of Japan provides KTM with a product range which compares favourably with any manufacturer in the world, KTM claims. The first Mitsubishi-designed machines will beb uilt in Brighton later this year.

Already, KTM's restructuring has proved itself to be on the right lines. When the company won its first major FMS order worth £2.5m in 1983, the customer, British United Shoe Machinery Co, of Leicester, claimed that no other company would tackle the project with the flexibility required and that KTM's solution was the best for the investment available.

Following hot on the heels of the BUSMC order came one from Austin Rover to produce a number of different models of cylinder head, a contract worth more than £8m. The installation will incorporate assembly, washing and inspection equipment as well as 12 KTM machining centres.

Automation, made possible by 12 robots and 10 automated guided vehicles, will enable the system to run 24 hours a day to produce 3,000 parts a week in fully-assembled and tested matched sets.

Another manufacturing system which KTM isa lso building for Austin Rover involves two KTM machining centres, a lathe, cam grinder and spark erosion machine for the production of prototype parts.

With these experiences of project management of manufacturing systems, KTM has certainly established itself as a major forceand at least in this partof the market the future looks optimistic.

Another hope for the future concerns KTM's export market. only 25 per cent of the company's £18m turnover currently comes from the export market. Mr Dawson regrets that it should be so small and has set his market strategy to put this right.

First, the agreement with Mitsubishi concerns marketing rights in Europe and has enabled KTM to reorganise its distribution network in Europe on a more comprehensive level. Second, he has recently concluded an agreement with the Hindustan Machine Tools Co of Bangalore, India, whereby HMT will ultimately manufacture KTM machines at its Hyderabad plant. At this stage, KTM is supplying kits of parts to the Indian company.

And finally, KTM is in the midst of discussions about a marketing agreement with a U.S. dealer, but no announcement has been made yet.

Anna Kochan is editor of FMS Magazine, published by IFS (Publications).

Manufacturing Automation 4

A growing need in production areas

Storage
ANNA KOCHAN

FULLY-AUTOMATED warehouses are beginning to spring up everywhere. It is a reasonably sudden change towards automation and one that has not been particularly triggered by any great advance in storage technology but rather by the general trend towards the adoption of computers to aid production.

The number of fully automated stores in the UK is currently about 100. Some of these date back about 20 years. In the early days, the applications which took up the new computer technology were in distribution warehousing. Today that has all changed with the growing need to incorporate stores in the production environment.

A traditional warehouse for distribution purposes stores finished products awaiting delivery to the customer. It is generally 20m-25m high and has a huge capacity. For example, a warehouse built by UK-based specialists, Dexion, for the Swedish company Frigoscandia at its Bristol centre, has 5,600 spaces.

This is in fact a fully automated cold store and the first of its kind in the UK. It requires only two operators to keep it running and is automatic to the extent that they need only stand at a computer terminal and key in details of what goods are being stored or need to be retrieved.

Stacker cranes fitted with microprocessor controls will then automatically take the goods from the operators' load station to a location in the high bay racking dictated by the warehouse's supervisory computer. This computer operates a stock control system and uses critical path analysis to minimise crane movements.

While distribution warehouses continue to be built, and about 50 per cent of the automated warehouses on order currently are for distribution, the growing area is in the production environment.

The automated manufacturing systems now being installed, particularly in mechanical engineering industries, need to be serviced by a highly-flexible, easily-accessible store if they are to function most effectively. And this is the same whether manufacture involves sheet metal work, machining, assembly, or all three.

Items stored in this environment would include both finished products as well as raw materials, part-finished goods and tooling accessories.

Automated stores for the production environment run on much the same principles as the distribution warehouses but they are much lower, usually around 10m in height, and they do not need to be so large. In addition, they are usually linked into an internal distribution system, often making use of Automated Guided Vehicles (AGVs).

Thus, an AGV will deliver goods for storage to a load station from where a stacker crane will automatically pick them up and transfer them to the store, all instructions coming from a warehouse control system which will be linked into a production control system.

The Swedish-owned company BT Rolatruc is well experienced in this type of application and currently reports that it is snowed under with inquiries in the UK.

Typical

One system now being built for a UK aerospace company is typical. It uses two unmanned stacker cranes, each of which serves two racks either side of it. The cranes deliver goods on demand to a handling system which uses eight AGVs to service 70-80 distribution points around the shop floor. The store is 12m high and contains space for 800 pallets.

Another of BT's warehouse installations has recently been opened at Perkins Engines, Peterborough. Here an automated store, costing about £2.5m, will eventually be integrated with an assembly line for cylinder heads. The main benefit is expected to be savings in inventory. It will also enable Perkins to keep to its delivery schedule more consistently.

A high bay store with 13,600 locations and low bay store with 3,450 locations are included in the warehouse which at any one time holds about £10m-worth of stock and equipment.

Another major supplier of automated warehousing equipment in the UK is Babcock FATA which has recently been involved in a £2m contract for Pedigree Pet Foods in Melton Mowbray.

Frozen fish and fresh meat products are being stored in a computer-controlled high bay cold store which runs 24 hours a day, seven days a week, 48 weeks a year. The bins containing the meat products are delivered to and from the stacker cranes by conveyors.

Not everyone wants to build a completely new warehouse as in these examples. It is not really possible to convert an existing manual warehouse to full automation but it is possible to achieve some of the benefits by introducing a computerised information system.

Memories

This is what has happened at a United Biscuits distribution warehouse in Gloucester which used to rely entirely on paperwork procedures and forklift truck drivers' memories to keep track of its stock.

At the end of last year, UB began running its Gloucester warehouse on a paperless basis using Computatruk, a product developed by UB's subsidiary Process Computing Ltd (PCL). With Computatruk, each forklift truck is fitted with a computer terminal which gives the driver instructions. These instructions come via a radio link from a supervisory computer which supervises pallet location, records stock input and output and controls all truck and operator movements.

The benefits are accurate stock rotation, improved utilisation of space and of forklift trucks, and the elimination of uncertainty about goods availability.

With similar goals in mind, West German truck manufacturer Jungheinrich, in collaboration with the UK storage consultants CAP Northern, will launch a system known as CAPACITY later this year.

It is likely that the concept of the paperless warehouse may catch on where there is reluctance to automate fully. Industrialists in the UK, unlike those in other European countries, have fears about full automation. They are insecure about the future and so hesitant to invest massively in equipment which is dedicated to a particular application and therefore becomes obsolete when the application disappears. But it is hoped that this attitude will change.

Computers carry out day's decisions

Using a Honeywell system to check parts availability in a factory store.

THE SAFE and cost-effective provision at the right place and time of materials needed to maintain line throughput preoccupies most production engineers. Possibly as much as a third of the manufacturing costs of discrete products can be attributed to materials handling.

Manned, powered trucks (fork lift, pallet or tractor types) are widely used and are available from a large number of suppliers.

Another common sight in a high-volume plant are "continuous" transport systems (overhead rail or low-level chain, belt or roller systems).

A less common sight, however, particularly in the UK, is the automatic guided vehicle (AGVS), and the robot.

Inevitably, with increasing automation in the production processes themselves, the situation will change. The AGVS will score where sufficient material or parts are transported and when production-integrated operations are necessary, such as automatic pallet loading/unloading at workstations. But for sporadic movements over widespread, varying routes, the manned vehicle is likely to be more appropriate.

The various conveyor types have been used for many years but nowadays can be computer-controlled, integrating them with other automation activity.

Clarks the shoemakers recently spent £3m at its Street, Somerset plant on a conveyor-based system the size of a football pitch. Engineered by Rapistan Lande, the system solved the problem of sorting many thousands of different pairs of shoes a day into packs for despatch to large numbers of customer locations.

A computer, knowing the orders for the day, allows bulk supplies of all the necessary shoes to be hand-picked and sent in a floor chain truck system (SI Handling, Swindon) from stores to sorting area, 100 boxes at a time.

Data General Eclipse computers produces packing notes for each customer pack. The 100 boxes are manually loaded on to driven roller conveyors which feed a double conveyor run with 90-degree chutes and diverters down one side. The boxes have bar code labels identifying the contents, read by Accusort laser scanners so that the boxes can be diverted into the proper customer chutes.

A particular value of roller conveyors is that buffer or accumulation sections become possible—a stop can be actuated and the rollers allowed to slip under the conveyed items. Such arrangements are essential when delivery and disposal of units cannot be synchronised.

Overhead conveyor with chain drive and suspended unit loads have the advantage of occupying no floor space, but roof and associated structures must be able to bear the load. They are popular in car body and television tube plants for example. Some systems allow different conveyor speeds to be provided within the branches of a system.

Other overhead systems have a separate electric drive per load unit, with conductor rail.

Handling
GEOFFREY CHARLISH

They can be more cost effective where load frequencies are low and irregular.

A more flexible and less permanent approach is offered by the guided truck. There are various types including tractor-pulled trains, used mainly where the number of destinations are few but material flow is high. Load/unload equipment is usually stationary (at loading point and destination).

Pallet trucks, on the other hand, can have their own lifting forks and can load/unload automatically and independently. They can be cost-effective where there is relatively low material flow to many destinations. Some trucks have four steered wheels and are highly manoeuvrable. Other, special designs have rollers on the load surface to help with heavy loads, while others have been specifically designed to work with production equipment.

Principal suppliers of AGVS are Jungheinrich and Wagner in Germany and Digitron in Switzerland. In the UK, Babcock FATA recently entered the market.

Usually, low-frequency inductive systems are used to steer the vehicles and allow them to communicate with human or computer controllers. A wire buried centrally on the route radiates a field which is sensed by coils in the vehicle to keep it on course. Information about routing and loading/unloading is dealt with by other wire loops in the floor and ferrite aerials in the trucks.

A recent development by Jungheinrich uses a radio communications system that will transmit data from a warehouse computer to 128 trucks and order pickers. Working at 450 MHz, the system is said to be relatively immune from industrial electromagnetic noise and screening by metal racking or machines.

Radio systems are an alternative to floor loop signalling and need little cabling. Men steer the trucks, but inductive steering could be used.

Robots, from companies like ASEA, Unimation, IBM, Cincinatti Milacron, Hitachi, Yaskawa, Kawasaki and many others are increasingly being used for unpleasant loading jobs—furnaces or machine tools for example.

In flexible assembly systems—a technology still in its infancy—robots pick and place parts and materials from incoming chutes, conveyors or pallets and after robot assembly, place assembled items on output conveyors.

PROFILE: BROWN AND SHARPE

Different gauge of output and profits

MOST MACHINE tool companies have suffered in the past few years, but few have changed in shape as dramatically as Brown and Sharpe, formerly one of the leading U.S.-based companies in this field.

As recently as 1980, machine tools accounted for nearly half the group's $227.5m sales. By last year, they probably accounted for only a quarter of the total, and the group had stopped making machining centres and cutting tools because of excessive competition.

Moreover, the machine tool division had been largely responsible for the group's net losses of $13.5m in 1982 and $1m in 1983. Indeed, machine tool sales fell from $73.7m in 1981 to $39.7m in 1983 and pre-tax losses in those three years totalled $33.4m.

In the meantime, however, B and S was building up its substantial and high technology measuring equipment business. It now accounts for half the group's sales and was the reason it returned to profit in the second quarter of last year for the first time in over two years.

Even during the 1982-83 recession, sales in the measuring equipment division declined only 12 per cent and pre-tax profits actually rose 16 per cent to $35.9m between 1981 and 1983.

Digital readout

B and S has been in the measuring equipment business for a long time, making gauges, micrometers, rules, scales, caliper tools and surface plate tools. In the late 1960s, it developed its first three-axis precision measuring machine with digital readouts and soon realised that this would be a high growth market.

With the increasing emphasis on quality, manufacturers of components need machines that inspect their products fully and accurately. Under computer control, a measuring machine can note any number of points o nthe surface of an object and then check them against requirements.

Machines of this type are integral parts of unmanned flexible manufacturing systems, which is why other machine tool companies, such as Cross and Trecker and Cincinnati Milacron, have made acquisitions in this area recently.

Electronics have also come to gauges and other types of measuring equipment, and B and S has kept up with the new technology. It claims to be the only company in the sector that has a complete range of metrology equipment and systems.

In spite of the importance attached to the metrology business, B and S continues to make two types of machine tools—small, precision surface-grinding machines and single-spindle automatic turning machines. Demand for both remains depressed and the division is still in loss.

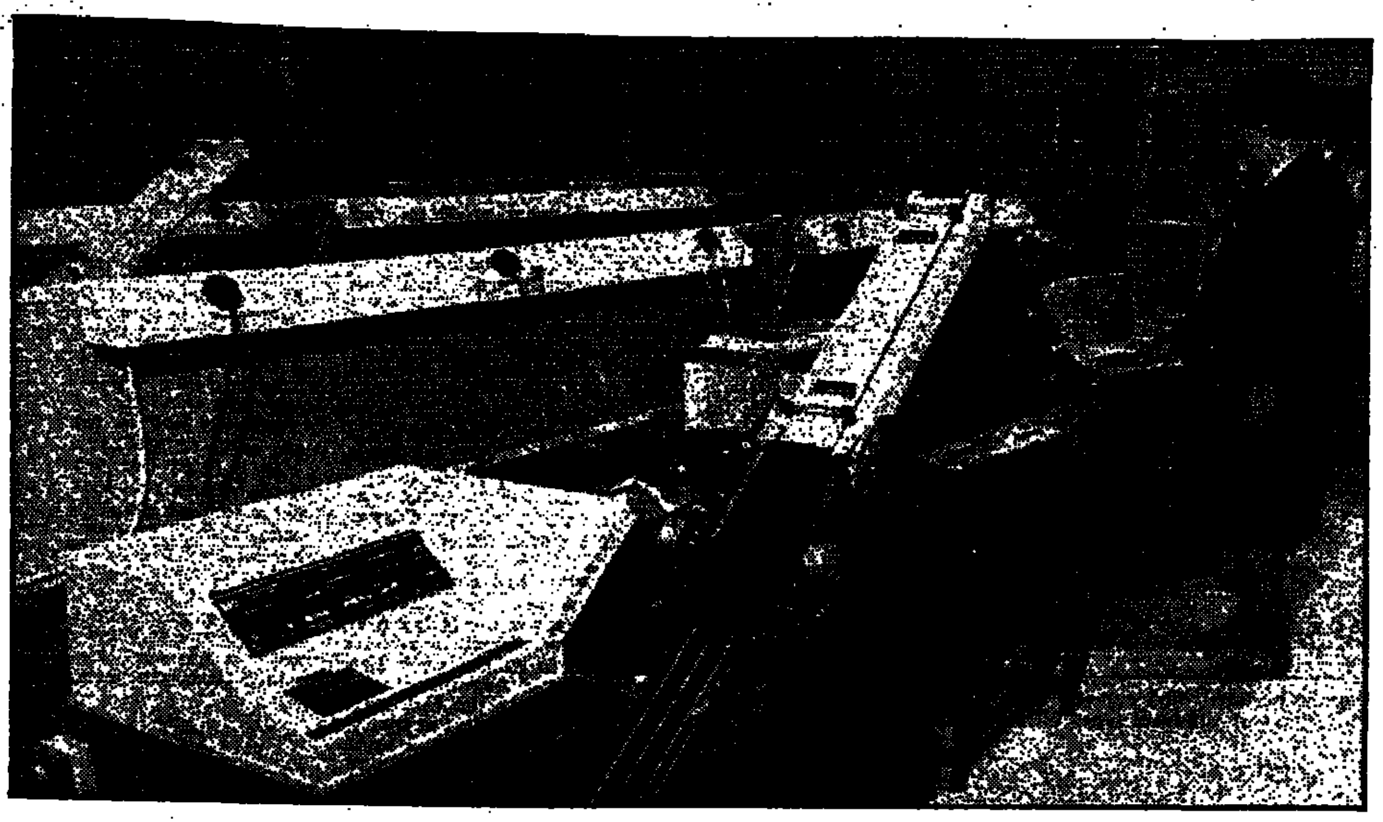
Similarly, a hydraulic equipment division, which accounts for the remaining 25 per cent of turnover, continues to suffer from the slump in the mining industries. Much of its output of hydraulic valves, pumps and motors goes into mining equipment.

In addition to its operations in the U.S., B and S sells its products around the world. Overseas sales accounted for 42 per cent of the total last year. The group has three plants in Britain. It makes turning machines at Derby, the Tesa computer-controlled gauging and measuring machines at Telford, and hydraulic equipment at Plymouth.

The restructurnig of B and S has been a costly business. Shareholders' funds tumbled from $89.7m at the end of 1980 to $64m at the end of the third quarter of last year. However, the pain was eased by realising the proceeds of an extraordinarily successful British investment.

In 1980, the company became the U.S. distributor of Renishaw probes for machine tools. It also decided at the time to take a 20 per cent stake in the small British company, which was one of the most successful new issues on the London Stock Exchange in 1983. Over the past two years, B and S sold the shares and realised a $14m gain.

Ian Rodger



An automatic system for testing integrated circuits before assembly

Machine vision ends tedium

Inspection

GEOFFREY CHARLISH

HAVING manufactured the product, a simple question (often with a difficult answer) arises: "Is it the right size and shape and, in an assembly, is everything where it should be?" The next query is "Does it perform as it should and how long is it likely to go on doing so?"

The second is a matter of testing, with almost as many answers as there are products. The first is concerned with dimensions, outlines, finishes and the presence or absence of parts.

Throughout measurement, test and inspection, electronics has been steadily replacing repetitive tedium which usually also requires close and unremitting attention. "Right first time" answers are then more forthcoming, although some job de-skilling may result.

Take for example, the humble micrometer, in which the turns of a threaded and calibrated barrel have to be interpreted into part diameter by the user. Mercer, Moore and Wright and others offer micrometers in which the barrel motion is sensed by a transducer and the reading continuously shown on a small electronic display in the handle. It is almost impossible to make a mistake.

Recorded

For large components and assemblies, co-ordinate measuring machines (CMM), in which the positions of a probe tip in X, Y and Z co-ordinates are recorded, have been much enhanced by the microcomputer and electro-optics.

The computer can, for example, remember measurement sequences and move the probe accordingly, or it can look at all the results for statistical trends.

Bendix, Brown and Sharpe, Carl Zeiss, C. E. Johansson, Vickers, Ferranti and LK Tool are prominent in CMMs.

View Engineering of California uses machine vision to prothegram the measurements. A TV camera takes a picture of the component and the operator moves a cross-hair over the screen to fix the desired measuring points. The computer remembers them and can make the CMM repeat them *ad infinitum*.

Machine vision will come into its own in the next year or two, since it is another tireless, accurate, remover of human tedium in inspection. Ever-cheaper electronic image storage and manipulation are making it more and more feasible, with low-end system prices below £20,000, although complexity of application can move this towards £100,000.

In machine vision, a still of the object is captured from the TV signals and stored, after which it can be contrast-processed to enhance flaws, silhouette outlines, surface deficiencies and other features. Comparison with the picture content of a known good part under the same lighting conditions then allows a reject/accept decision to be taken.

Machine vision is still far from commonplace, but in the U.S., Object Recognition Systems has several systems installed. At General Motors, it is used to perform the ball-count in bearings. At an AT&T plastic card supplying company, light is projected into the card thickness to see what emerges from imperfections in the oxide stripe surface.

At Eastman Kodak, the technique is used to make sure flash cubes have been correctly assembled into cameras.

In the UK, Avdel inspects rivets dimensionally at 600 a minute (T. A. Designs, Dorchester), while British Steel has an Integrated Photomatrix system that monitors the dimensions of hot bar as it leaves the mill.

There are now more than 50 organisations either supplying equipment and systems or offering consultancy, according to Jack Hollingum's book, Machine Vision (IFS Publications, Bedford).

Optics, with and without the laser are also being applied to metrology, enabling very accurate, contactless measurements to be made on large assemblies. Other instruments measure surface roughness.

Detect

For the electronics industry, two UK companies, Micro Measurements Engineering of Saffron Walden and Lloyd Doyle of Walton-on-Thames, have developed vision systems that will inspect loaded and "naked" printed circuit boards respectively in under a minute.

They detect missing, incorrect or reversed components in the first case, and faulty circuit tracks in the second. Negretti Automation (Aylesbury) offers the U.S. made Vanzetti Systems laser device for faulty solder joint detection.

In the area of testing as opposed to inspection, the electronics industry has led the way and a $1bn world market in autotest equipment has resulted. This is because manual testing of electronic circuits, either on silicon chips or in the form of many chips on a printed circuit board, has been beyond the ability of humans for several years.

Boards are now tested on electronic machines in a matter of minutes—work which a small army of technicians working all day could not tackle.

Automatic testing is also becoming more common in areas like engine test and white goods production line testing.

Marconi automatic in-circuit test system used by GEC for checking printed circuit boards.

Sensing robots tackle welding

Fabrication

ANNA KOCHAN

WITHIN THE next couple of years the technology of fabrication by industry will be revolutionised. Automation too will be brought into an area of fabrication which has so far remained relatively untouched—welding.

More robots are used for welding than any other application but even so they have tackled only a fraction of the potential welding market because they are "blind."

A robot can only do exactly what it is programmed to and therefore relies on complete accuracy of location of the joint it is to weld. As well as accurate fixturing this requires that the parts to be welded must be accurately made.

This is quite a tall order, particularly in the automotive industry where the bulk of welding requirements involve pressings. Other errors can arise because even if the parts to be welded are perfectly aligned at the start of the welding operation, heat distortion during the process can put them out of line.

Sensors

Because of all these factors, only about 3 per cent of all arc welding requirements can be tackled by robots without sensors. If the other 97 per cent are open to robots with sensors, then the market potential is enormous. And many companies are starting aggressive efforts to capture a slice of it.

A number of sensing techniques for locating the joint and tracking the seam have been developed and applications in fabrications of 4mm thicknes upwards are beginning to use them. For finding the start of the joint a tactile sensing system is used.

To take advantage of it the joint must be designed with a special feature such as a V groove, leg joint or fillet. The robot is programmed to go through a search sequence to find this feature by touching it with the weld wire. Once this is accomplished, the robot controller knows the exact position of the start weld and can initiate the cycle.

A second system which tracks the weld while the job is in progress and keeps the weld on the joint is known as through-the-arc. It involves the welding torch weaving across the joint as it welds, at each side of the joint taking samples of current and voltage. By comparing the samples from the two edges, the robot controller can correct the weld gun path as it proceeds.

These two sensing techniques have been available for three or four years but have been applied in production situations only recently. A year ago NEI Thompson, a Wolverhampton-based company in the Northern Engineering Industries group, acquired the licence to sell Japanese-designed Komatsu robots in Europe. The robots are equipped with both joint locations and seam tracking sensing as just described.

NEI reports that it has already installed five systems in the UK and has orders for another seven, some of which will go overseas. And the company claims that it is currently inundated with inquiries.

So far, Komatsu robots have been used for mining and earthmoving equipment fabricating involving aluminium and stainless steel of thickness 4 mm upwards. In the future NEI is looking for jobs such as railway chassis fabrication which could involve welds 9-10m long.

At the end of this month, Swedish-owned ESAB Automation will join NEI in the market. Its sensing system will be integrated with an ASEA robot. Even before the launch date, ESAB's subsidiary in Stevenage reports that it has sold two systems incorporating the package in the UK: one for fabrications up to 50 mm thick for mining machinery; the other for heavy pressed fabrications about 12 mm thick.

ESAB notes one disadvantage with the through-the-arc sensing technique. Because of the weaving motion, the weld takes three times as long as if it were straight, ESAB managing director Mark Aldridge says. To avoid this time penalty ESAB is now developing a real-time adaptive control system without weaving. It should be available by early 1986 but no details have yet been disclosed.

Breakthrough

Real-time adaptive control is, however, already on the market and it is already achieving great success. It is also British-developed. The company which has made the breakthrough is Meta Machines in Abingdon, formed only a year ago. Its first product, Meta Torch, is based on work done under SERC funding at Oxford University in collaboration with BL Technology.

Designed for sheet up to 2 mm thick, Meta Torch is a highly sophisticated device using a miniature camera and laser light source to look at the joint about 16 mm ahead of the weld. The "picture" seen by the camera is transmitted to the robot controller and the weld path altered accordingly.

Meta says it has an order backlog of 65 units, of which about 25 come from robot vendors who will fit the torch to their machines. Most of the rest will go to be used in the U.S. for applications involving suspensions, engine mounts and wheel supports at Chrysler, Ford and General Motors. Only three of the units now on order are destined for the UK. Outside the automotive industry, applications in electronic cabinetry and general enclosure are generating a great deal of interest.

This first Meta system tackles the problem for thin sheet but a version for thicker material is under development and is expected to be on the market by the end of this year.

Also entering the field are two U.S. companies: General Electric and Automatix, who are expected to launch sensing systems which will cater for both thin and thick materials in a single unit.

Laser welding is another technology which could transform fabrication methods in the future, the main advantage of the laser being that it eliminates thermal distortion and is easily automated. Lasers with powers up to 10 kw are now available from companies such as Ferranti, and these can weld steel up to 20 mm thick.

But fabrications of this size have not been tackled yet. It is still very early days — a recent survey reported that only seven lasers over 5 kw were sold worldwide last year. A few welding applications of low power (1-2 kw) lasers do exist, for example in welding gears onto drive shafts for motor vehicles and pipe welding for the nuclear industry and oil-related industries.

In the U.S., lasers are used for welding refrigerator doors, and in Italy there is an example in washing machine assembly. The white goods industry should see a growth in the use of the laser for welding as will the automotive where applications for suspension parts, petrol tank assembly and roof welding are being investigated.

Complex task to replace human effort

IT IS likely that in the next decade, product assembly will get much attention from the automation experts.

The reason is not difficult to see: assembly is the most labour-intensive activity in factories where lower volume batch production takes place—and such production probably accounts for 75 per cent of discrete product manufacturing.

Furthermore, the labour cost of manual assembly accounts for 20 to 25 per cent of the total labour cost for durable goods production.

Even where "hard" (that is, fixed, single product automation reigns—in the large volume industries of motor cars and telephones for example—the scene is changing as markets demand more product variability with changes at shorter intervals.

Unwelcome as it may be to the conventional production director in Europe, the company that can maintain a flow of new, genuinely better and cheaper products—with no trade-off of quality to achieve lower prices—is the one that will win.

Unfortunately, assembly uses more sensing (sight, touch) and more mental/physical dexterity and judgment than most factory tasks. It therefore calls for aptitude and alertness but is at the same time repetitive and boring. Without full concentration by the operator, the product can suffer.

But the replacement of such human effort with assembly machines is expensive and managements are prone to simply equate automation cost with saved labour. In fact, flexible assembly systems (FAS), usually employing robotics and software control by computers, has other important advantages.

Such systems can be designed to assemble many variants of a particular kind of product—pumps, motors, electric panels, diesel engines—without extensive re-tooling and retraining and with minimum adjustment and down time at each change-over. At maximum sophistication using multi-axis robots, totally different products can be assembled.

This approach has been commonplace for a decade in the electronics industry, where machines assemble integrated circuit chips and other components on to high volume-printed circuit boards. They can be re-programmed for a new product, but often can deal with only one component type, so that several machines are needed. Gradually, robots are beginning to provide an answer for non-standard components.

In mechanical assembly there is much more variability. But the advantages of robotic assembly cannot be ignored in the West. In summary, they are better, more reliable products can be brought to market, ordered by the customer and delivered more quickly, at more competitive prices, with much better response to variety and change.

What do such systems consist of? Modern computing and sensing can now be applied to nearly all new assembly systems, to a degree dependent on the flexibility needed. If one is assembling several million identical 13 amp plugs or carburettors, for example, the emphasis is on speed and the complexity resides mostly in production electromechanics.

Assembly

GEOFFREY CHARLISH

With rather more computer power and software, and less mechanical hardware, systems developed by Bosch, IBM and Olivetti, for example, are aimed at making families of assemblies. These work in a relatively fixed structural framework, using pick and place robots designed specifically for assembly work.

Bosch, for example, offers a complete collection of parts to allow assembly systems of almost any size to be built. It offers basic aluminium extrusion bench structures, pallet systems, servodrives, linear robots, transfer stations, feeders, chutes, computers and controllers.

The concept is based on the fact that about 80 per cent of all products have an envelope less than 0.2 metre cube, weigh less than 5 kg and have even less than 20 components.

In Järfälla, Sweden, and elsewhere, IBM is using its new 7565 overhead gantry robot, which allows grippers to be positioned anywhere in a horizontal plane measuring some 6 ft x 4 ft, with vertical motion of 18 ins.

The arrangement is particularly suited to picking and placing parts into equipment front panels. The same robot is being used experimentally to make up wiring looms—a pressing problem in aerospace industries, where IBM and Boeing are co-operating. Westland in the UK has a similar research programme.

ASEA, the electrical giant, uses two robots (one ceiling mounted upside-down) to assemble the dozen or so parts of electrical contactors.

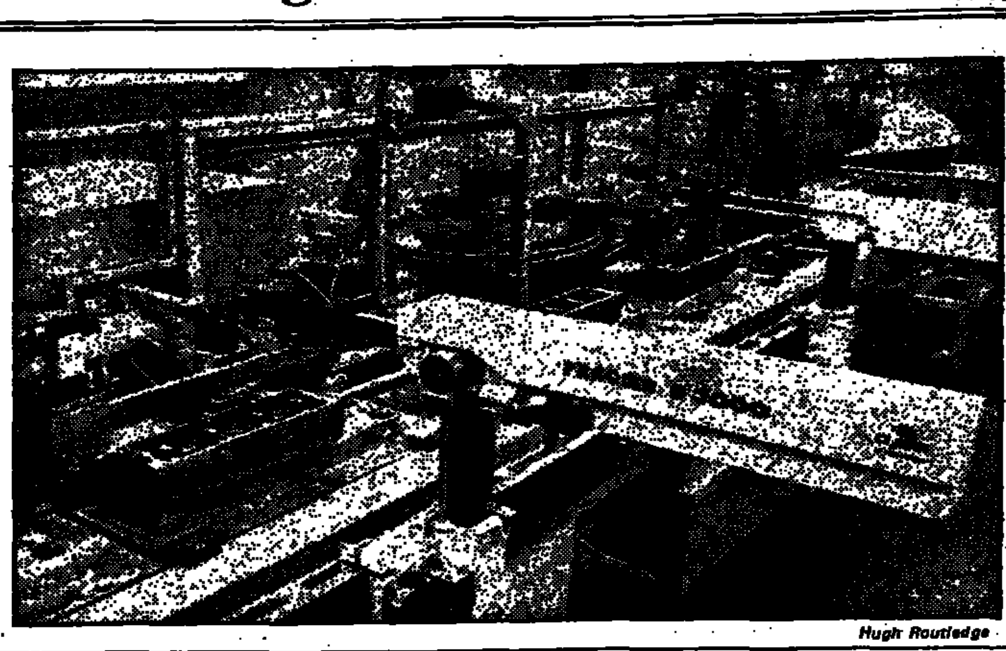
The Swedish Production Research Institute has two ASEA and two IBM robots in a system with 10 assembly stations at which pallets are stopped on the belt long enough for the robots to carry out the assembly tasks. Each robot serves two or three stations and can change its own tools from line-side magazines. Run by an IBM computer, the system is being taught to identify line trouble.

In Britain, Fairey Automation has installed a system at Perkins to assemble diesel engine cylinder heads using Pragma robots and an Allen Bradley controller. A similar system has been devised by Marwin Production Machines (Wolverhampton) for Austin Rover using Unimation robots. Fairey has also equipped Black and Decker in County Durham to assemble motor, gearbox and other items in various DIY power tools.

Flexible assembly is usually not something that can be bought off the shelf and often needs significant re-thinking about the design of the product itself.

Systems can take many forms but, like other experts, Dr David Nitzan of SRI International sees the problem basically in computing terms. There will always be a supervisory computer to co-ordinate workstations at which multiple microprocessors are responsible for sensing, control and command of items like robots and feeders.

There is certainly no shortage of consultants. Among them are Cambridge Consultants, Cranfield Institute of Technology, Computer Application Consultants, Inbucon, Ingersoll Engineers, PA Technology, PERA, and SRI International.



Hugh Routledge

Assembly of diesel cylinder heads at Perkins. The correct valves, valve springs and collets are fitted automatically into several different types of head whatever their order

PROFILE: INGERSOLL ENGINEERS BY IAN RODGER

Shop floor consultants

INGERSOLL ENGINEERS look like a consulting group that was set up in anticipation of the automated manufacturing technology (AMT) revolution.

Lots of major consulting organisations are getting interested in AMT, but most of them are approaching it from backgrounds in office management. By contrast, Ingersoll comes at it straight from the shop floor.

Ingersoll Engineers was set up in 1962 as a sales support organisation for Ingersoll Milling Machine, the specialised machine tool business of Ingersoll International of the U.S.

"We were getting a lot of proposals to which we didn't have answers, but we didn't want to turn the mdown," Mr Edson Gaylord, group chairman, says.

But gradually, the engineering organisation grew and became independent of the machine tool business, offering advice to a wide variety of companies, primarily on manufacturing problems. Today, it has 220 professional engineers operating from offices in the U.S., Britain, France and West Germany, and very little of its business is tied in with the sales of Ingersoll machines.

Ironically, though, Mr Gaylord suspects that the trend to AMT will strengthen the ties between the two again. Ingersoll Milling Machine is finding that more and more potential customers who want to buy manufacturing systems are not actually ready and should, with the guidance of consultants, analyse their needs first.

The British office, based at Rugby, has 98 professionals operating in three areas; management consultancy, engineering and project management, and total project engineering.

Mr Peter Dempsey, chairman of the British office, says his

INGERSOLL ENGINEERS

goal is to help companies link technology with business successs. "The most under-exploited area of most companies is manufacturing. We can almost guarantee to get 10 to 15 per cent out of a company's costs if they do what we say," Mr Dempsey says.

On average, the British office handles 250 projects a year and 70 per cent of its business comes from former customers. Its client list includes most of the leading names in heavy manufacturing, such as British Aerospace, Cincinnati Milacron, Cummins Engine, GKN, GEC, Hawker Siddeley, Lucas, Massey-Ferguson, Northern Engineering, Perkins Engines, Rolls-Royce and Vickers. But it also gets about a third of its income from overseas contracts.

One of its main areas of project management expertise is in plant consolidations. Partly because of the severity of the decline in Britain's manufacturing industry in recent years, many companies have found they can no longer operate satisfactorily from their large and often rambling premises.

One of Ingersoll's main marketing points is its extensive knowledge of factories around the world. It claims to be able to tell a client with considerable precision just how his manufacturing costs and technology stand up against those of foreign competitors.

Mr Dempsey and his colleagues are also active lobbyists for the interests of manufacturing industry, and have been involved in the development of government programmes for encouraging the adoption of AMT.

Ingersoll says that British manufacturers, on the whole, are eager to adopt new manufacturing technologies, but many have not invested for a lon gtime and are taken aback at first by both the costs and the rate at which production technologies are changing. Thus, it tends to take a long time to get major projects approved.

PROFILE: COMAU BY IAN RODGER

Focus on U.S.

COMAU MAY NOT be too well known outside the manufacturing automation field, but one of its products, Robogate, has become famous round the world.

Robogate is the advanced robot system for spot welding car body panels together, and it features regularly on television news programmes when the fortunes of the car industry are in the spotlight.

That sort of publicity cannot be all bad, but Comau officials would argue that in the [illegible] it is the quality of the product that counts.

In the past year, Comau, a subsidiary of the Italy's Fiat group, has passed an important test in that respect. The company had begun focusing its attention on the U.S. market in 1979 and, in the spring of 1983, it went into a joint marketing venture with one of its U.S. rivals, Bendix. The U.S. company also bought a 30 per cent stake in Comau for roughly $30m.

However, within a year, Bendix was acquired by Allied, a U.S. conglomerate, its factory automation business had been sold to Cross and Trecker, another U.S. rival, and the Comau marketing venture was dissolved. Coman then decided to set up its own U.S. marketing operation and, since last April, it has taken $150m-worth of orders for its factory equipment and systems from the U.S. automotive industry.

"Our strongest commitment now is in the U.S.," Mr Paolo Cantarella, Coman's managing director, says, and he has backed it up by having 100 people based in the Detroit office. "You need to stay in very close touch with the customer in this business, because he tends to change specifications every day."

The company's roots and most of the rest of its 3,200 employees, however, remain very firmly in Italy. Comau was formed in 1977 following the acquisition by Fiat of three well-established Italian machine tool and materials handling companies to add to its own company in the field, MST.

The company specialises in most areas of advanced manufacturing equipment—machining, materials handling, assembly and control and has a wide base of customers, with the accent on large systems. Its average contract is between $10m [illegible] and it now has 18 months of orders in hand.

About half of its [illegible] ($256m) turnover last year came from sales of machining and mechanical assembly systems, the remainder from welding, final assembly and materials handling systems.

Roughly half of total sales are made in foreign markets, with a third last year being made within the Fiat group. Sales to Fiat companies vary considerably, however, being as low as 7 per cent in 1980.

Approximately two-thirds of sales are made to the automotive industry, and the company does not seem to have any trouble selling to Fiat's motor industry competitors.

Coman is eager and equipped to supply large advanced manufacturing systems to other industries but finds the opportunities fairly limited.

"It is difficult to find people with needs for a high degree of automation," Mr Cantarella says. The group's main flexible manufacturing contracts so far have included a $7m system to machine compressor parts for Borg-Warner in the U.S., one for machining parts for Caterpillar Tractor at Glasgow and another for Alsthom Atlantique in France.

In the materials handling field, it has moved outside the engineering industries, supplying a large automated warehouse to Benetton, the Italian garments group.

Coman's main products, apart from the Robogate, include transfer lines, vertical lathes, automated guided vehicles, robots and control systems. Mr Cantarella is satisfied with the product line, except in the robot area.

The group is one of the top four suppliers of robots for welding, but its Smart robot is useful only for that and other heavy tasks. There are increasing opportunities for more smaller robots to do more delicate tasks and it is likely that Coman will soon apply its existing control and sensing knowhow to smaller robots.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
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National Intergroup restructuring begins to show benefits

BY PAUL TAYLOR IN NEW YORK

NATIONAL INTERGROUP, (NII) the U.S. steel and financial services group which recently sold 50 per cent of its steel interest to Nippon Kokan of Japan and is now planning to merge with Bergen Brunswick, a fast-expanding West Coast Drugs and Consumer electronics distributor, yesterday reported its first full-year net profits since 1981.

The Pittsburgh-based group, whose earnings reflect the impact of a patchwork of special items associated with the group's radical restructuring, had net earnings of $12.8m, or 44 cents a share, in the final quarter compared with a $38m, or $2.06, loss in the 1983 period. Sales plunged to $176.6m from $784.3m, reflecting the impact of the sales of the equity stake to Nippon Kokan and the resulting accounting change in the way National's remaining steel interests are handled to an equity basis.

The latest quarter includes gains of $7.3m, or 36 cents a share. The fourth-quarter profit helped lift full-year net earnings to $52.6m, or $1.83, compared with a 154.3m or $8.33, loss in 1983. Net sales for the full year fell by 21.5 per cent to $2.29bn from $2.92bn.

The 1984 and 1983 results include a series of extraordinary items. Full-year results include the $7.3m fourth-quarter gains, together with a non-recurring charge of $16.9m associated with the steel division equity stake sale to Nippon Kokan.

The 1983 fourth-quarter and full-year results include a $55.6m non-recurring charge for the liquidation of National Pipe and Tube, and the write-off of certain other steel-related assets. In addition, the 1983 full-year results included a $100m non-recurring charge related to the sale of the group's Weirton Steel division to employees and a $22.1m gain on a debt for equity swap.

Mr Howard Love, chairman and chief executive, said: "National Intergroup's return to profitability reflects the benefits of our ongoing corporate-wide cost reduction programmes and the continuing restructuring of the company to grow in our most profitable segments.

"All of NII's businesses earned an operating profit for the full year. Earnings by our metals businesses in the fourth quarter were affected by weak prices, which are continuing in the early part of 1985. However, our plans and strategies now in place are expected to result in a further improvement in NII's earnings in 1985."

NII currently faces a challenge from Leucadia National, a New York-based holding company which owns over a 7 per cent stake in National Intergroup, and other major shareholders, to its plans for a merger with Bergen Brunswick. Shareholders are due to vote on the planned merger on March 7.

Mr Love said yesterday: "We strongly believe the merger will provide important benefits to our stockholders, including a major thrust into the rapidly-growing distribution services business. We are confident the combined company will emerge in a strong and competitive financial condition having substantially greater assets and cash flow and a greater degree of diversification."

WEST GERMAN DEAL MAY POSE THREAT TO SUPPLIES OF POWER UNITS

Klöckner to buy diesel engine rival

BY PETER BRUCE IN BONN

KLÖCKNER – Humboldt – Deutz (KHD), one of West Germany's major diesel engine and tractor manufacturers, is to buy control of a major diesel engine competitor, Motorenwerke Mannheim (MWM) from its troubled parent, Munich-based Knorr Bremse.

The deal is likely to lead to a flurry of activity among other diesel engine producers in Europe as MWM itself is a major supplier of engines to two of KHD's competitors in the tractor market, Renault in France and Fendt in West Germany.

Knorr-Bremse, privately owned and Europe's largest manufacturer of locomotive brake systems, is understood to have won assurances from KHD that engine supplies to existing MWM customers like Renault and Fendt will not be tampered with. Fendt, at least, has suggested it may have to find other engine sources in the longer term, however.

Announcing the deal, Knorr Bremse did not say how much KHD was paying, but control of the engine division is likely to have gone cheaply. MWM, the oldest engine producer in the country, has not been profitable for at least four years, largely because of its continuing exposure in the market for large ship diesel engines.

However, the MWM line will provide Deutz with a line of water-cooled diesels in the medium sizes from 50 to 250 horsepower. Deutz makes only air-cooled engines in this range, and future market opportunities for them may not be as strong as for water cooled engines.

Turnover at MWM fell from DM 543m in 1983 to DM 430m last year, a third of which is accounted for by sales to agricultural machinery producers. Both MaK, the Krupp diesel subsidiary, and Cummins of the U.S. had expressed an interest in MWM before yesterday's announcement. Cummins, it is understood, was not keen to maintain the existing works.

The sale of MWM, which also has manufacturing facilities in Brazil, will take a heavy burden off Knorr Bremse, which is itself losing money and which has been stricken by a bitter two-year long dispute between the uncle and nephew who each own 48 per cent of the group's stock.

Knorr Bremse's turnover of DM 1.3bn ($410m) in 1983 was nearly 10 per cent down on the previous year. MWM accounts for more than half Knorr Bremse's sales – and quite possibly a large proportion of its losses – and until a few months ago Herr Joachim Vielmetter stubbornly refused to sell it or at least relinquish control of it.

Herr Vielmetter's nephew, Herr Jens von Bandemer, appeared finally to have won a battle to take over his uncle's 48 per cent stake towards the end of last year. By that time a number of senior board members, including Dr Wilfried Guth, then joint chief executive of Deutsche Bank, had given up with the squabbling family and resigned.

Herr Vielmetter finally agreed, however, to sell his stake to his nephew by March 31 this year. Herr von Bandemer then shocked the group by announcing at the beginning of this year that he was leaving the industry to join a religious sect.

The 49-year-old nephew says he intends floating Knorr Bremse on the Frankfurt stock exchange.

Goldsmith to retain stake in Colgate

By Terry Dodsworth in New York

SIR JAMES Goldsmith, the UK financier, is aiming to maintain his investment in Colgate-Palmolive despite a recent court ruling which suggests that the U.S. household products company will be able to keep a controversial new takeover defence scheme.

Sir James acquired a small stake in Colgate-Palmolive last year and subsequently applied to the authorities for permission to increase his holding to more than 10 per cent. Colgate shares began to mount after the announcement of this investment, but bid speculation quietened again when Colgate adopted an anti-takeover scheme that would make the company considerably more expensive to acquire.

Since then, Wall Street has been waiting for the outcome of a courtroom battle in Delaware which is testing the validity of the new takeover defence. The Delaware court last week decided in favour of a similar scheme, devised by Wachtell Lipton, the New York law firm, in a case brought against Household International, the consumer finance company.

Sir James, however, still believes there is a good chance that the Household International defence will be overturned in an appeal which has been lodged with the Delaware Supreme Court. For the moment, he says, he is sticking with his strategy at Colgate and has not divested his stake.

Sources close to Sir James point out that the Delaware Supreme Court has taken a strong line on directors' responsibility to shareholders in a recent case involving the sale of Trans Union Corporation to Marmon. Directors were censured for the disposal under the "business judgment" rule – the notion that officers of a company must exercise sound judgment on behalf of shareholders. This rule has formed a central part of the case against Household International.

CIT-Alcatel puts off planned NY listing

BY DAVID MARSH IN PARIS

CIT-ALCATEL, the French state-run telecommunications group, has postponed earlier plans to make a share flotation on the New York stock market.

The company is still examining the question of a listing on the New York over-the-counter market, but has now put back to around 1986-87 the possible date of introduction. When it announced the plans last summer – which would have amounted to the first non-French share listing for a large state-run French group – company officials said the step could be taken this year.

Senior CIT-Alcatel executives say the company – which is 57 per cent owned by the nationalised Compagnie Générale d'Electricité conglomerate – wants to ensure that any proposed New York listing would be a success.

The scaling down of the plans is partly linked to uncertainties over the company's future financial performance. It has suffered from stagnating foreign and domestic orders for public telephone equipment, although a FFr 500m ($51.6m) order signed with China last month brought an end to an exceptionally lean streak on export markets.

The CGE group has built up U.S. activities through a policy of acquisitions and expansion over the last two years.

Wells Fargo to sell mortgage banking unit

By Paul Taylor in New York

WELLS FARGO, the U.S. West Coast banking group, said yesterday that it had agreed to sell its residential mortgage banking subsidiary, Wells Fargo Mortgage, to a limited partnership for $108m. The banking group said the deal would result in a first-quarter pre-tax gain of $50m.

Under the terms of the deal, which is subject to regulatory approval but is expected to be completed during the first quarter, Wells Fargo Mortgage would be acquired by a partnership formed by Integrated Resources, an investment group which specialises in organising and managing investment programmes for individual and institutional investors. The San Francisco banking group had recently announced that it was considering the sale of the unit.

Wells Fargo Mortgage services a substantial portion of the bank's residential mortgages as well as mortgages held by other investors. The mortgage subsidiary, headquartered in Santa Rosa, California, has assets of about $125m

Greyhound ahead but unsatisfied

BY WILLIAM HALL IN NEW YORK

GREYHOUND, the U.S. long-distance bus company which endured a long strike in 1983 to push through hefty wage cuts, trebled its fourth-quarter net income to $36.6m but nevertheless described its 1984 results as unsatisfactory.

Net income from continuing operations, which had been depressed by the 1983 strike, rose from $70.3m to $125m. Group revenues for 1984 rose marginally to $2.2bn.

Mr John Teets, chairman and chief executive, said that "even with the beneficial impact in 1984 of the nearly 15 per cent rollback in salaries and wages negotiated with the union, Greyhound Lines', results were wholly unsatisfactory."

Greyhound expected, however, "much improved results" for the bus line in 1985, as a result of previously – announced steps to expand its passenger base while cutting its asset base.

Turnround for U.S. food group

BY OUR FINANCIAL STAFF

CPC, the large U.S. food group, made a strong recovery in the final quarter of 1984, with a turnround from a net loss of $881,000, or $0.1 per share, to a $55.1m profit, or $1.14. That took the full-year total to $193.4m, or $3.98, from $136.2m, or $2.81m.

Fourth-quarter profits a year earlier were hit by an after-tax charge of $55m, or $1.14 a share, arising from an earlier than planned phasing out of two plants which are being rebuilt.

Sales for the year reached $4.37bn, up from $4.01bn, with $1.07bn in the latest quarter.

CPC processes and markets consumer foods and is a producer of food ingredients and industrial products derived from the corn wet milling process.

It's products include Mazola corn oil and margarine.

Westpac to lead Bond oil deal

By Our Financial Staff

BOND Corporation, the Western Australian beer, property and resources group, has given a mandate to Westpac, Australia's biggest bank, to arrange a A$60m ($48m) financing package to cover its share of the Harriet oilfield.

The field, in shallow water 10 miles from Barrow Island off the coast of Western Australia, is expected to cost about A$76m up to the production stage. Bond owns 62.65 per cent of the Harriet permit as a result of its purchase last autumn of the U.S. Occidental group's interest.

Hyundai to start Canada plant

BY BERNARD SIMON IN TORONTO

THE SOUTH Korean group Hyundai is to build its first North American car parts factory near Toronto.

The investment appears to be directed at forestalling the imposition of import quotas on Hyundai's Pony cars, which have been in strong demand in Canada since being sold there for the first time a year ago.

Pony sales reached 25,100 units in 1984 and captured 11 per cent of the market for imported passenger vehicles.

The Hyundai plant, involving an investment of C$25m ($18.8m) and employing up to 300 people, will initially produce electrical components such as alternators, starter motors and heater motors. Construction of the plant is due to begin later this year.

The company said its long-term plans include setting up a research and development department in Canada to produce engine components. A Hyundai official said that the company, unlike many other foreign investors in Canada, will receive no financial assistance from the Canadian Government

Mr Sinclair Stevens, Canada's Industry Minister, said yesterday that the Hyundai investment is "the exact type of commitment from foreign manufacturers that Canada requires."

Japanese car imports to Canada, in contrast with shipments from South Korea, are limited by annually renewable quotas. The Canadian authorities have linked negotiations on the quotas to investment by Japanese manufacturers in Canada.

Honda announced last year that it is to build a C$100m assembly plant near Toronto, and a group of leading Japanese parts manufacturers has formed a new company to study opportunities for local investments.

INTERNATIONAL COMPANIES and FINANCE

Nestle bids $58m for Australian confectioner

By Michael Thompson-Noel

NESTLE, the Swiss foods group, is offering about A$73m ($58m) for the 85 per cent of Lifesavers (Australasia) it does not already own.

The move could precipitate a rationalisation of the Australian confectionery market. The offer is A$3.30 cash per share and A$3.80 per convertible net, or two shares and A$1.30 cash.

Nestle has told the Foreign Investment Review Board in Canberra that it would subsequently dilute its interests in Lifesavers to 49 per cent to comply with local investment rules.

The AMP Society, Australia's largest non-government investor, owns 10.1 per cent of Lifesavers and favours the offer. Mr Jack Chia, a Melbourne businessman, owns 6.5 per cent and is thought to be similarly inclined.

Lifesavers (Australasia) made a net profit of only A$3.4m in the year to last July, though trading is thought to have improved considerably in the last six months. Its shares rose 40 cents to A$3.45 in Sydney yesterday.

The deal is the latest in a series of acquisitions by Nestle which culminated late last year in an agreement to purchase Carnation, the U.S. foods group, for around $3bn.

The Lifesavers purchase is being made through Raleigh Nutritional Products, a company formed by Nestle in 1983 to develop involvement in the Pacific area. It is intended to seek an Australian stock market listing for Raleigh in about three years.

Nestle acquired the 15 per cent stake in Lifesavers when selling Australian-based chocolate and sweet plant to the Australian company in 1981. At the time, Lifesavers was also granted a licence to produce Nestle products.

Lifesavers' sales for last year totalled A$128m. Nestle's chocolate and confectionery sales in 1983 totalled SwFr 2.3bn ($852m), while the Swiss group's total Australian sales were in excess of SwFr 600m.

Italian deal by Flaekt

By Our Financial Staff

FLAEKT, the Swedish air processing and environmental control group, has bought two Italian companies in an effort to strengthen its position in the Italian market.

The Swedish company, which has had an Italian subsidiary since 1957, said the purchases of Climatherm, a refrigeration equipment manufacturer, and C.A.R., which makes air handling units and air conditioning accessories, are intended to further develop the export of Italian-made Flaekt products in the Mediterranean area and the Middle East.

Flaekt did not reveal a purchase price. Both acquired companies are in the Milan area.

LTV reports sharply higher loss

BY ANDREW BAXTER IN NEW YORK

LTV, the third biggest U.S. steel producer, yesterday reported sharply higher fourth-quarter and full-year losses which it blamed on surging steel imports and deteriorating prices.

The Dallas-based group which merged with Republic Steel last June, posted a $246.7m net loss from continuing operations in the fourth quarter, compared with profits of $4.8m a year earlier.

The latest figures include a $74m pre-tax charge in the steel segment and $58m in the energy business. The charges relate to rationalisation of facilities and related costs, liquidation of stocks and staff reductions. In the 1983 period a $2.7m credit lifted final net earnings to $7.5m, or $0.4 a share.

For the year, LTV posted a net loss of $378.2m compared with $180.7m in 1983. The 1983 figure includes income of $34.2m from continuing operations and an extraordinary gain of $23.4m.

Sales rose from $1.5bn to $2bn in the quarter, and from $4.6bn to $7bn in the year. The results include those of Republic Steel from July 1.

LTV's figures follow the trend set earlier by Bethlehem Steel, which reported sharply higher fourth-quarter losses, and by U.S. Steel, which returned to operating losses in its steel business.

Mr Raymond Hay, LTV's chairman and chief executive, said 1984 was an abnormally difficult year for the U.S. steel industry and LTV. Imports surged in the second half, causing prices to deteriorate and operating rates to decline steadily.

However, LTV's near-term liquidity position would benefit from an expected improvement in steel results, lower capital spending, further stock reductions and continued disposal on non-strategic assets acquired with Republic.

In contrast, Weirton Steel, the West Virginia steel concern which National Intergroup sold to employees in 1983, reported net profits of $60.6m on sales of $1.1bn last year. Profit figures for 1983 were not given, but sales were $929m.

Steel shipments rose from 1.8m tons in 1983 to 2.1m. The company said it was profitable in every quarter of 1984, operating at reasonably high business levels, especially in the second quarter. In line with the industry trend, however, sales and shipments fell by 10.3 per cent and 9.5 per cent in the fourth quarter, compared with the third.

Mr Robert Loughhead, president and chief executive officer, said: "It is a safe assumption that, for the time being profit margins will continue under great pressure amid withering price competition."

The company's response would be to continue to focus on better quality, efficiency and cost control, he said.

Saudis buy stake in Texas refiner

BY WILLIAM HALL IN NEW YORK

TAG GROUP, the Luxembourg arm of an investment company owned by Saudi Arabia's wealthy Ojjeh family, has come to the rescue of Valero Energy, a Texas company which has been hard-hit by the slump in the U.S. refining industry.

Valero announced yesterday that Tag Group had agreed to invest $15m in Valero and another $85m if it could arrange a feedstock contract for Valero's new $600m refinery in Corpus Christi which is losing substantial amounts of money.

In common with many refineries in the U.S., Valero's Corpus Christi plant has been making big losses since its feedstock costs are too high to enable it to earn profitable margins on its petroleum product output.

The company said it hoped the Saudi Arabian group would be able to use its Middle Eastern contacts to find an attractive source of crude which would enable it to operate its new refinery profitably. The refinery is one of the most modern in the U.S., with a capacity of 55,000 barrels a day. It is capable of transforming low-quality residual oil into high-quality petroleum products.

Under the agreement Tag will invest the additional $85m if a feedstock accord can be reached by July 1. If it goes ahead with the second part of its investment the Saudi Arabian family will own stock which can be converted into a stake of about a third in the group.

Intradel purchase lifts Douwe Egberts' profit

BY LAURA RAUN IN AMSTERDAM

DOUWE EGBERTS' acquisition of Intradel, a toiletries company, helped to lift the Dutch coffee purveyor's profits by 38 per cent to Fl 61.5m ($17.1m) in the first half of fiscal 1984-85 from Fl 44.5m a year earlier.

Without the consolidation of Intradel, which is based in Amersfoort, Douwe Egberts' earnings would have risen 13 per cent in the July to December period of 1984. Foreign operations, which rose to 57 per cent of turnover from 52 per cent, and lower costs also boosted net income. Sales rose by 28 per cent to Fl 2.09bn from Fl 1.63bn, or 13 per cent discounting Intradel.

Douwe Egberts is 93 per cent owned by Consolidated Foods, the U.S. food processor, but is operated as a distinctly Dutch company catering to local tastes. The Utrecht-based company sells premium-priced coffee, tea and tobacco products.

Multimedia executives propose $1bn buy-out

BY OUR NEW YORK STAFF

MULTIMEDIA, the U.S. media group, has received a $1bn management buy-out proposal.

The group, which publishes 43 newspapers and operates TV, radio and cable TV franchises, says that a management group headed by Mr Wilson C. Wearn, the chairman, was offering $36 cash and $25 principal of subordinated discount debentures for each of Multimedia's 16.7m shares.

The senior management team proposing the buy-out has been joined by members of the Peace, Jolley, Sisk and Furnham families which founded Multimedia in 1968 through the merger of several regional newspaper and broadcasting companies. It went public in 1971.

In the first nine months of 1984 Multimedia earned $24.1m. Its biggest business division is broadcasting, which had revenues of $97.3m in the nine months. Newspaper revenues totalled $74.5m and cable TV revenues totalled $48.6m.

If the buy-out proposal is successful, the senior management and members of the founding families will hold around 40 per cent of the outstanding shares, with management options to acquire additional shares.

Maltese bank profits dip

BY GODFREY GRIMA IN VALLETTA

MID-MED BANK and Bank of Valletta, Malta's two leading government-run commercial banks, report increased deposits and advances for 1984 but say they have experienced a poor year for profits.

Mid-Med's accounts show deposits to have grown to M£219.8m ($440m) from M£180m in 1983. Advances climbed to M£69.3m from M£163.7m.

The increases in deposits by both Mid-Med and Bank of Valletta follow the takeover of accounts previously held by the government savings bank

Mid-Med's growth in advances mirrors the bank's continued penetration in financing industrial and tourist schemes rising on the island. Since the bank was acquired by the state from Barclays of the UK, there has been more participation in local development projects.

Bank of Valletta deposits increased to M£115.9m from M£85.9m and advances rose to a total of M£55.9m. Taxed profits, however, dipped to M£1.2m from M£1.3m.

The key factor behind the erosion in profits is the banks' excess liquidity which had to be deposited with the central bank virtually at a loss.

Aker achieves sharp growth

BY FAY GJESTER IN OSLO

Norway's Aker offshore fabricating group lifted 1984 profits, before extraordinary items, to about NKr 90m ($9.8m) from NKr 37.3m in 1983. This was well above the NKr 75m which the group forecast earlier in connection with a new share issue following restructuring. However, no dividend is proposed for 1984. Meanwhile a three-for-one scrip issue will put share capital at NKr 111.6m, up from NKr 27.9m.

HK winds up Deak Perera offshoot

BY DAVID DODWELL IN HONG KONG

THE HONG KONG High Court yesterday ordered the winding up of Deak Perera (Far East), the gold and foreign exchange dealing subsidiary of Deak Perera of the U.S. The company has bee nin the hands of a provisional liquidator since the end of December.

The court was told that total liabilities of Deak Perera (Far East) amounted to an estimated U.S.$25m. A "substantial claim" has been made against its New York holding company, which filed for protection from creditors under U.S. bankruptcy laws early in December.

Precious metals are being held in Britain, Austria, Switzerland and the U.S. for the account of the official liquidator, the court was told. These "approximately match" the precious metals certificates issued by Deak Perera (Far East). Whether these precious metals belong to certificate holders, or are a general asset of Deak has not yet been resolved, and will be the subject of a separate ruling of the court, the comapny's provisional receiver said yesterday.

Hong Kong's Commercial Crimes Bureau has this week submitted a report to the Attorney General's office on the conduct of business in Deak Perera (Far East). It has yet to be decided whether legal action will be taken on the basis of the Bureau's findings.

Deak Perera (Far East) was one of two Deak subsidiaries operating in Hong Kong. The other, a deposit taking company (DTC) called Deak Perera Finance, had its licence revoked two weeks ago on the grounds that it had been carrying on business "in a manner detrimental to the interests of depositors."

The winding-up petition was made yesterday by Sir John Bremridge, Hong Kong's Financial Secretary. It was unopposed. The court dispensed with the statutory first meeting of creditors, appointing the Official Receiver as liquidator, in view of "the doubtful status of many of the claimants in the liquidation."

Set against its liabilities, the Official Receiver said US$1.5m of assets had already been recovered. Provisional agreement has been reached on the sale for HK$3m (US$384,000) of the company's foreign exchange business.

He said there was a "good prospect" of recovering a further US$4m from an overseas bank in the near future. There are investigations at present into the transfer of about NS$2m out of one of the company's overseas accounts early in December. Other assets in the U.S. have been frozen by the courts there.

In connection with the claim being made against Deak in the U.S., the Receiver said security was being held in the form of shares in Foreign Commerce Bank (Foco Bank) in Switzerland.

The Receiver said the status of depositors whose receipts were issued in the name of another Deak subsidiary, Deak and Co (Macao), had not yet been resolved. He advised depositors to seek independent legal advice. Deak and Co (Macao), once registered as a money changer, closed its doors in December, with Macao's monetary authorities revealing that it had acted beyond its powers.

An investigation resumed yesterday into the conduct of Dr Inglesias Tomas, deputy head of Macao's monetary authority, in connection with the collapse of Deak. The investigating team presented its report to the territory's Secretary for Economic Affairs a week ago. It is understood that he has been unable to make a judgment on the basis of the report, and has asked for fresh inquiries to be made.

Malaysian merchant bank in the red

By Wong Sulong in Kuala Lumpur

ASIAVEST merchant bankers, the smallest of Malaysia's 12 merchant banks, suffered a pretax loss of 21.2m ringgit ($8.6m) for the year to May 1983. This compares with a profit of 6.2m ringgit previously.

The losses were largely the result of loan guarantees to the Construction and Development Corporation of the Philippines (CRCP), one of the biggest Southeast Asian contractors which collapsed in 1982. CDCP is now controlled by the Philippines Government.

Following the CDCP troubles, the Malaysian shareholders of Asiavest bought the 30 per cent stake held by Asia Investors group, part of the Philippine-based Bancom group, making Asiavest wholly Malaysian-owned.

JAL seeks foreign investors

BY JUREK MARTIN IN TOKYO

JAPAN AIR LINES, the national flag carrier which is 35.5 per cent owned by the Japanese Government, is actively looking for more foreign shareholders.

In the third week of this month, investment teams composed of officials from JAL and its stockbroker, Nomura Securities, will go to London, Zurich, Paris, New York and Boston on special missions to attract new foreign investment.

Foreigners currently hold only 1.12 per cent of JAL common stock, according to the airline, whereas the average foreign holding in other major Japanese-quoted companies exceeds 6 per cent.

Although some other foreign flag carriers are in the process of being privatised and though official Japanese policy includes gradual denationalisation of such state monopolies as telecommunications, the railways and tobacco, there is no known government plan to reduce its stake in JAL.

Nor does JAL have any guidelines as to what might be a desirable level of foreign ownership of its stock. A company official, noting that other Japanese companies have conducted similar missions in the recent past, put the JAL effort more in the context of the airline's overall capital needs.

JAL's medium-term plan includes $2.4bn worth of new capital investment by 1989, not only for 22 new aircraft but also for further diversification into hotel and resort development, an expanding credit card business, and independent fuel trading.

Equity finance will cover only a small portion of these needs: JAL said the upcoming missions were mostly designed to make potential foreign investors more aware of the airline's affairs and prospects so as to generate greater interest in subsequent bond issues and other forms of fund raising.

JAL is in the process of recovering from a disastrous 1982-83 financial year, when its reputation was severely damaged in particular by the crash of a domestic flight at Haneda Airport in Tokyo caused by a mentally unhinged pilot.

In the financial year ending last March, JAL's group net income was $33m on sales of $3.71bn: in the half year to last September, its unconsolidated profits had risen to $73m, before tax.

KL listing for property group

By Our Kuala Lumpur Correspondent

LAM SOON HUAT (LSH), the property developer, is to obtain a listing on the Kuala Lumpur Stock Exchange, through a public offer of 16.11m shares priced at 1.1 ringgit each.

It will be the second company this year to be given a public listing on the exchange—the first being Lam Soon Industries Berhad, the Singapore controlled edible oils manufacturer.

The share issue will increase the paid-up capital of LSH to 52m ringgit. The company forecasts pre-tax profits of 17m ringgit for 1985, compared with 12m ringgit last time. The company says it will start its biggest project to date, next month, estimated at 150m ringgit, to build 1,200 residential units outside Kuala Lumpur.

Dunlop Olympic interim earnings show 22% rise

BY MICHAEL THOMPSON-NOEL IN SYDNEY

DUNLOP OLYMPIC, an Australian manufacturer which has broadened its overseas operations considerably in recent times, yesterday reported a 22.4 per cent boost in net profit for the half year to December 31, to A$40.3m (U.S.$31.8m), and has raised its interim dividend from 5 cents to 5.5 cents.

It also announced a A$63.6m rights issue of one ordinary share at A$1.40 for every six held, which will account for about half the money spent on acquisitions in the past year.

Dunlop Olympic, an autonomous Australian concern, said recently it had bought 14.9 per cent of Chloride Group of the UK from CRA, the Australian resources concern, partly as an investment and partly to pave the way for the international marketing of its Pulsar battery, claimed to be the world's most advanced automotive battery.

Tyres and building supplies contributed sizeably to the company's first-half profits growth, when sales rose from A$736m to A$848m.

Mr John Gough, Dunlop Olympic's managing director, said that orders for building supplies were strong for the remainder of 1984-85, but added: "Frankly, we're a bit nervous about the future; very nervous, in fact."

Other major businesses include electrical goods, rubber goods and retailing.

Islamic bank net profits up 25%

By Mary Frings in Bahrain

PROFIT-SHARING at the five-year-old Bahrain Islamic Bank (BIB) for the year to September 1984, resulted in a 6 per cent return on small savings accounts, which represent 30 per cent of the bank's total deposits of BD 29m) (U.S.$78m). This compares with a 3½ per cent interest rate on savings accounts with local non-Islamic domestic banks.

Net profit for the year amounted to BD 2.76m, a 25 per cent improvement. Apart from the BD 1.877m allocated to profit-sharing, another BD 690,000 was distributted as a 12 per cent dividend to shareholders.

APPOINTMENTS

Reorganisation at House of Fraser

HOUSE OF FRASER made the following appointments: Mr W. G. Crossan, deputy chairman and managing director of House of Fraser, will retire from executive duties on September 1. Mr M. M. McMaster and Mr P. K. Brimacombe have been appointed joint managing directors of House of Fraser (Stores).

★

Professor Gareth Roberts, Professor of Applied Physics at the University of Durham, is to become chief scientist at THORN EMI on September 1. Reporting to Dr Ken Gray, Thorn EMI director of research, he will contribute to Thorn EMI's scientific policies and programmes.

★

GOLDEN WONDER has named its new board of directors: Mr Howard Phillips, assistant managing director of Ross Foods, has been appointed managing director. Mr Gordon Cairns, Golden Wonder's general manager, sales and marketing, is appointed sales and marketing director; Mr Tony Hannaford, senior manufacturing controller, is appointed operations director. Three existing directors retain their responsibilities for Golden Wonder. They are Mr Barry Boon, technical director, Mr Chris Sturmey, finance director, and Mr Ian Wright, personnel director. Mr David Wellings, chairman and chief executive of Golden Wonder and HP Foods, will retain that position.

★

Mr C. Rogers has been appointed a director of A. L. STURGE (MANAGEMENT).

★

Mr Leonard Marks has been appointed a director of CUDMORE INTERNATIONAL.

★

Mr David Ashworth has been appointed marketing and sales director of TENBY ELECTRICAL ACCESSORIES. He was promoted to national sales manager in 1976.

★

THE BRITISH RAIL PROPERTY BOARD has appointed a non executive board member, Mr David White, group managing director of the National Freight Consortium Property Board. Mr Gavin Simpson, managing director of the British Rail Property Board, joins the National Freight Consortium Property Board as a non executive member.

★

PRONTAPRINT has strengthened its management team. Mr Martin Richmond has become group managing director. Mr Ken Rostron is managing director of Prontaprint in the UK, and Mr Forbes Petrie becomes a director of Prontaprint International whilst retaining responsibilities for advertising and promotional activities in the UK and overseas.

Senior County Bank director

COUNTY BANK has appointed Mr Peterf D. S. Dale as a senior director. He will have particular responsibility for the Bank's administration and operations. He was formerly with Morgan Guaranty Trust Co of New York.

★

CLARKSON PUCKLE GROUP has appointed Mr J. Farrington, Mr D. Knight, Mr A. Pryce and Mr R. S. Thomson to the board of Clarkson Puckle Marine Holdings.

★

Mr David Haigh has been appointed to the board of THE CREATIVE BUSINESS as financial director. He has worked as European accounting manager for the Dexter Corporation and as sassistant financial controller for Pioneer Concrete Holdings.

★

Mr John A. Therpe has been appointed managing director of the banknote and travellers' cheque division of BRADBURY WILKINSON. He will relinquish his responsibilities as joint managing director of Bradbury Wilkinson (Cheques), but will remain a director of that company. Mr Patrick Barber, joint managing director of Bradbury Wilkinson (Cheques) has therefore been made sole managing director of the Gatwick plant.

★

Mr C. M. Keville and Mr P. J. Sweet have been appointed deputy chief executive of BOWRING AVIATION. Mr A. J. Medniuk, an executive director, is appointed senior airline director. Mr R. Chiverrell, an executive director, becomes senior reinsurance director. Mr C. W. B. Cook and Mr A. J. Welton have been appointed executive directors. Mr Keville remains managing director of C. T. Bowring Space Projects, and Mr Cook has been appointed broking director of that company.

★

Mr John Hall, chairman of Cleaves Shipbroking has been appointed to the board of LAMBERT BROTHERS SHIPPING.

★

TMC, a telecmmunications subsidiary of Philips, has appointed Mr John J. Owens as plant director. He replaces Mr Dominic Mackay who was recently promoted to managing director.

★

Mr Phillip Wiggall, sales director of McCAIN FOODS (GB) since 1972, is to retire at the end of March and will be succeeded by Mr George Konkle, general sales manager. Mr Wiggall will continue to be associated with the company for the next few years, specifically supervising McCain's export business. Mr Konkle was general sales manager. He immediately takes up the position of sales director designate, and becomes a director of McCain (GB) responsible for sales on April 1.

★

Mr John Talbot, chairman and managing director of Jonathan James has been elected president of the NATIONAL FEDERATION OF PLASTERING CONTRACTORS for 1985-86. The new senior vice-president is Mr John Trumper, director of Trumper Bros, and the junior vice-president is Mr Paul Whitehorn, director of James & Sons (Plasterers).

★

Mr Michael Walter has been appointed to the board of AQUASCUTUM as group marketing director from February 1. He was president of Alfred Dunhill Inc, U.S.

★

The OXFORD INSTRUMENTS GROUP has appointed Mr Martin Lamaison as finance director.

★

Mr Ray Nichols has been appointed deputy director of the pensions and employees benefits division, SIMON ENGINEERING. He was formerly group pensions manager.

★

Mr Brian W. Thrower has been appointed a director of the BARNHAM GROUP.

★

Mr Chris Sutton has been appointed to the board of LOVELL FARROW CONSTRUCTION as surveying director. He was chief surveyor.

★

The ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS has appointed Mr Colin Humphreys, until the beginning of January deputy under secretary of state (air) at the Ministry of Defence, to fill the new post of director of development.

Top Northern Dairies post

Mr Trevor Blackburn, formerly managing director of NFT, the distribution company of Northern Foods, has been apointed managing director of its liquid milk subsidiary NORTHERN DAIRIES. This follows the decision by his predecessor, Mr Owen Thomas, to relinquish the position prior to moving to the Northampton area for personal and domestic reasons. Remaining a senior director, Mr Thomas will continue to help formulate development policy for Northern's milk businesses. He will also be responsible for the company's activities in the Northampton, Folkestone, Hereford and Gloucester areas. Mr Blackburn was deputy managing director of Northern Dairies before his apointment to NFT for which he retains responsibility.

★

Mr Ted Stocker becomes chairman, VANDERHOFF COMMUNICATIONS. He was previously managing director. Mr Graham Powell, formerly sales and marketing director, is appointed managing director. He is succeeded by Mr Richard Hargrave who was director marketing services, Dictaphone Company.

Allianz flexes muscles for its next advance

By Jonathan Carr, recently in Munich

FORTUNATELY for Allianz, West Germany's biggest insurer, Dr Wolfgang Schieren will not take no for answer. About 30 years ago he tried for a job at Allianz's Munich headquarters—but was turned down. He promptly applied again at the company office in Cologne and this time got in, "by the back door" as it were.

Today as chief executive and as persistent as ever, the 57-year-old Dr Schieren is thrusting Allianz into a new era of its nearly century-old history. Within the last few months he has sealed a deal to take control of Italy's second biggest insurance concern for more than *DM 1bn; he is raising* around DM 800m through Allianz's biggest ever capital increase; and, above all, he is restructuring his group to win more scope to make acquisitions and to diversify into non-insurance sectors.

That implies that Allianz will soon be still better placed to snap up another foreign insurance company (probably in the U.S.)—*and it means* that German banks must be on the watch for a possible new rival.

Small wonder that Dr Schieren has been given nicknames in the press of "Superman" and "Almighty" and that his expanding empire is watched with mingled awe and concern at home and abroad. At least part of the unease is due to a feeling (somewhat exaggerated but none the less widespread) tht Allianz's true power lies, like the bulk of an iceberg, well beyond public gaze.

The Allianz insurance figures are striking enough. The group has about 14 per cent of the domestic life and at least 16 per cent of the non-life market. Total premium income last year was up 6 per cent to more than DM 16bn of which some DM 3bn came from abroad (half of it from the U.S.). That DM 3bn figure means that since 1980 Allianz has more than doubled its foreign business, which hardly existed when Dr Schieren became chief executive in 1971.

Moreover, the group has total investments worth around DM 60bn (which, for comparison's sake, is more than 3 per cent of West German Gross National Product). Much of that is in fixed interest securities, mortgages and real estate; but a lot too is in stakes (direct and indirect) in leading German enterprises such as MBB, Gutehoffungshutte and Thyssen.

Here details are not always easy to come by. For example, you will search in vain for a record of the Allianz group shareholding in one of the country's biggest banks, the the Bayerische Hypotheken-und Wechsel Bank (it is understood to be somewhat below 25 per cent). Again, it is plain from the published accounts that Allianz has a stake through various holding companies in Daimler Benz AG. But it takes *some digging to discover that* the share is a surprisinfgly modest (albeit valuable) 1.56 per cent.

There is a further key point—the close (some say "Siamese twins-like") relationship between Allianz and Müncher Rückversicherung (Munich Re), the world's largest reinsurance concern. Allianz Versicherungs AG, the parent company, holds a *25 per cent stake in Munich Re* which in turn has 25 per cent of Allianz. The two also have interlocking holdings in other concerns, both in the insurance world and beyond. They even have their headquarters within a stone's throw of one another on Munich's Königinstrasse. Take all that, add it to a somewhat opaque picture of the Allianz empire—and throw in a "Superman"—and it is easy to create a vision of almost unfettered, even sinister, financial power.

It is an enticing picture—but a flawed one. For one thing while the ties between the two giants are close (Munich Re actually founded Allianz in 1890), that does not mean they *always have a common* strategy and interests.

For example, Munich Re kept well away from Allianz's (ultimately abortive) bid for Britain's Eagle Star concern in 1983. It evidently felt its broader reinsurance custom wouldnot be served by joining the struggle, although its financial muscle would have come in mighty handy for Allianz. It *is also worth noting that* Munich Re has been led since 1969 by Herr Horst Jannott, an executive as tough and talented as Dr Schieren, though less in the public eye. There is no question of either boss telling the other what to do.

For another thing, while that DM 60bn worth of investments in undeniably impressive, Allianz is far from free to do *what it likes with the money.* Use of almost all the funds is regulated by law and closely monitored by the Federal Insurance Supervisory Office in Berlin. Like other German insurers, Allianz must stick to strict rules on safety, yield, marketability and spread in investing underwriting provisions.

The rules do not apply to investment of shareholders' funds but naturally far lesser sums areinvolved (albeit in Allianz's case more than DM 2bn). Above all, the companies are barred from borrowing to make acquisitions, however advantageous they may judge credit financed deals to be.

It was well-nigh inevitable that Dr Schieren would seek to free Allianz from some of these bonds sooner or later (however much he stresses his respect for the tough laws which have headed off major mishaps on the postwar German insurance market).

After all, this is a man who has not only doggedly built up Allianz's presence abroad — Britain in 1974, the U.S. in 1976, Austria in 1977, Australia in 1979 and so on. He has also laid a firm basis for this growth with stringent cost-cutting and earnings improvement at home.

It was the Eagle Star battle which finally con... Schieren of the need for a change in group ... give Allianz more room for manoeuvre. In a recent interview in his Munich office, Dr Schieren stressed that in any case he believed the bidding against BAT Industries drove the Eagle Star price to too high a level. Allianz was thus not *unhappy to retire with a clear* profit of DM 550m—even though its main aim of establishing itself really firmly in Britain had to be shelved (but not abandoned). Throughout the struggle Allianz had been uncomfortably aware of the legal restrictions it faced in financing so big a takeover, and of the Berlin supervisors hovering in the background.

As a result Dr Schieren and his former finance director, Dr Marcus Bierich—now head of the Bosch group—drew up a plan for a new, more flexible Allianz. The details are complex but the basis is simple. The present parent company will be transformed into a holding company (probably called Allianz AG) and all the direct insurance activities, along with the *corresponding assets and* liabilities, will be turned over to a wholly-owned subsidiary. The holding would ensure the subsidiary had adequate equity capital and the two would be linked by a profits sharing and domination accord.

Under this construction, the holding would not be subject to the full scrutiny of federal supervisors and — in addition to more than DM 2bn at its disposal in shareholder's funds — would be free to borrow on the capital market.

What can be expected from this "new Allianz" if, as seems virtually certain, the scheme is formally adopted (and, as intended, backdated to take effect from January 1)? There has been much public speculation that Allianz will diversify into non-insurance "financial services" and Dr Schieren does not discourage that view. Why should he? Allianz (along with other insurers) is highly irritated by the decision of several *West German banks, among* them the Deutsche, the biggest, to start offering savings schemes coupled with life insurance.

Allianz feels this action involves trespassing on its "patch" and might indeed have to be countered by a move into financial territory close to the bankers' own. But Dr Schieren stressed he had no concrete plans at present and felt the mere existence of a more flexible Allianz could cause the banks to think twice about pushing more deeply into the insurance preserve.

The key point is that Allianz — operating through the new holding — will in future be much better able to act and react in making foreign acquisitions. Even before its restructuring plan was made public last month, Allianz announced that it was taking control of the Italian group Riunione Adriatica di Sicurta (RAS), which had premium income in 1983 of around DM 4bn. Roughly half that income comes from outside Italy implying that, while there may be some overlap, Allianz has been able considerably to broaden its foreign *activities at a single blow.*

Beyond the RAS deal, Dr Schieren leaves no doubt that his gaze is still firmly turned towards the U.S. Allianz has long been seeking to complement both its life insurance activities there (Fidelity Union of Dallas and North American Life and Casualty of Minneapolis), and its modest non-life operation centred on Los Angeles with a new acquisition.

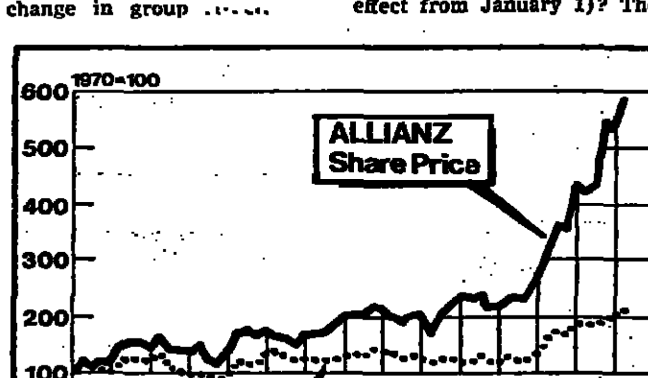
As for Britain, Dr Schieren makes clear he is not contemplating any more "dawn raids" and battles of the Eagle Star style. "I would prefer it if there were an English company with a shareholder "x" with around 25 per cent and another shareholder "y" with about 15 per cent. I would offer a *reasonable price to get some 40* per cent—and I would be satisfied with that holding," Dr Schieren said modestly.

Any names? The Allianz chief spreads his hands with a smile showing he is ready to wait. After all, he usually seems to have got most of what he was after—in the end.

THE EXPANDING ALLIANZ EMPIRE

Major direct interests in industrial companies	Issued capital (DM m)	Allianz percentage interest	Activity
Beiersdorf	163.0	31.8	Adhesive tape, cosmetics
Lahmeyer	80.0	26.1	Energy supply
Monachia Grundstucks	7.3	44.7	Real property
Schiess	18.0	27.1	Machine tools
Wustenrot-Bank fur Wohnungswirtschaft	50.0	25.0	Banking
Major interests in consortium companies	**Issued capital (DM m)**	**Allianz percentage interest**	**Companies in which consortium company has an interest of 25 per cent or more**
ABM Beteiligungsgesellschaft	86.6	28.5	Messerschmitt-Bolkow-Blohm
Allgemeine Verwaltungesellschaft fur Industriebeteiligungen	193.5	25.0	Metallgesellschaft
Almüco Vermögensverwaltungsgesellschaft	39.0	50.0*	Heideiberger Druckmaschinen; Hochtief†
ARB Beteiligungsgesellschaft	145.0	31.0	ANT Nachrichtentechnik‡
Regina Verwaltungsgesellschaft	37.5	50.0*	Gutehoffnungshütte Aktienverein
Thyssen Beteiligungsverwaltung	111.6	19.3	Thyssen
Veritas Vermögensverwaltungsgesellschaft	13.8	55.0	Hapag-Lloyd

* Jointly with Allianz Lebenversicherungs. † The consortium company has a 40 per cent holding in Francommerz Vermogensverwaltungsgesellschaft, which itself has a 25 per cent holding in Hochtief. ‡ The consortium company has an interest of more than 50 per cent in ANT Beteiligungsgesellschaft, which itself has a holding of more than 25 per cent in ANT Nachrichtentechnik.



Scott Paper gains 51% over year

BY WILLIAM HALL IN NEW YORK

SCOTT PAPER, the world's biggest tissue-maker, increased its fourth-quarter net income by 41 per cent to $49.9m, continuing a strong recovery which began two years ago.

The group's full-year net income rose 51 per cent to $187m, or $3.83 per share, on the back of a marginal increase in sales to $2.8bn.

The company says its domestic sanitary paper products turned in record sales and earnings, as did its packaged products division. The S. D. Warren coated-paper division also reported record earnings, almost trebling 1983 levels. Mr Philip Lippincott, Scott's chairman, says 1984 was a "year of significant progress".

The group's share of the earnings of its international affiliates fell from $23.6m to $14.5m. This was partly due to the cost of new product introductions and plant modernisations in the UK, the start-up of a new Malaysian plant, and conditions in Mexico.

Looking to 1985, Mr Lippincott says he is concerned about the competitiveness of the tissue market in the U.S. and uncertainties in some international markets, but he is optimistic that the year will see a continued improvement in Scott's performance.

N. AMERICAN QUARTERLY RESULTS

AMERICAN PRESIDENT
Shipping

Fourth quarter	1984 $	1983 $
Revenue	240.1m	206.8m
Net profits	21.7m	15.2m
Net per share	1.70	1.31
Year		
Revenue	928.2m	795.8m
Net profits	103.5m	26.4m
Net per share	8.67	2.26

BIG THREE INDUSTRIES
Oilfield equipment & services

Fourth quarter	1984 $	1983 $
Revenue	202.7m	178.3m
Net profits	15.73m	10.64m
Net per share	0.40	0.25
Year		
Revenue	778.1m	668.8m
Net profits	56.71m	45.33m
Net per share	1.40	1.07

COOPER INDUSTRIES
Compressing & drilling equipment

Fourth quarter	1984-85 $	1983-84 $
Revenue	539.1m	490.8m
Net profits	32.72m	26.08m
Net per share	0.68	0.51
Year		
Revenue	2.03bn	1.85bn
Net profits	106.86m	71.77m
Net per share	2.13	1.29

ENSERCH
Gas utility, oil & gas equipment

Fourth quarter	1984 $	1983 $
Revenue	784.6m	822.3m
Net profits	32.8m	1.91m
Net per share	0.47	†0.04
Year		
Revenue	3.54bn	3.5bn
Net profits	118.83m	77.07m
Net per share	1.57	1.20

†Loss

HAMMERMILL PAPER
Paper & paper products

Fourth quarter	1984 $	1983 $
Revenue	580m	536.9m
Net profits	16.2m	18.49m
Net per share	1.82	1.95
Year		
Revenue	1.85bn	1.82bn
Net profits	55.89m	32.85m
Net per share	5.67	3.25

OWENS-ILLINOIS
Glass containers

Fourth quarter	1984 $	1983 $
Revenue	868m	814.8m
Op. net profits	49m	19.6m
Op. net per share	1.65	0.70
Year		
Revenue	3.5bn	3.42bn
Op. net profits	148.4m	82.1m
Op. net per share	5.17	2.85

PROVIDENT LIFE & ACCIDENT
Insurance

Fourth quarter	1984 $	1983 $
Revenue	—	—
Net profits	57.03m	26.12m
Net per share	6.30	2.79
Year		
Revenue	—	—
Net profits	129.46m	88.14m
Net per share	13.85	9.49

TORCHMARK
Life & accident insurance

Fourth quarter	1984 $	1983 $
Revenue	295.8m	247.7m
Net profits	75.22m	29.93m
Net per share	2.04	0.75
Year		
Revenue	1.13bn	935.4m
Net profits	168.25m	98.03m
Net per share	4.20	2.56

WEYERHAUSER
Largest forest products group

Fourth quarter	1984 $	1983 $
Revenue	1.41bn	1.26bn
Net profits	27.4m	70.1m
Net per share	0.16	0.49
Year		
Revenue	5.55bn	4.88bn
Net profits	225.2m	204.8m
Net per share	1.52	1.36

TECHNOLOGY

EDITED BY ALAN CANE

GALLIUM ARSENIDE DEVELOPMENTS

STC's merchant chips

BY GEOFFREY CHARLISH

FOLLOWING A development program extending back to 1975, STC Components Group has started sample-level production of gallium arsenide (GaAs) integrated circuits at the Paignton, Devon, plant, where £5m has been spent over the last 12 months.

The initial device range, which will go into full production this year, will be mainly low power digital circuits. There will be six standard products by the end of this year. Available now for example, is a 128k static random access memory (RAM), but is understood that the high speed computer market will not be addressed for two to three years.

Although STC will be supplying products in-house, the main objective is to address what has become known as the "merchant" market—the "non-in-house market"—in the UK, France, Germany, the U.S. and Australia.

Most of the products are aimed at the military where the high speed and low power consumption of the technology are important. The situation is the inverse of that in Japan where most of the semiconductor companies are offering or developing GaAs devices for applications like fast computers and direct broadcast satellite receivers, and where the military market is minimal.

By the end of 1985 custom-design products will be offered and during 1986 a "foundry" operation will start in which STC will make other company's GaAs products to order.

The present size of the GaAs market is put by STC at £50m world wide. This is under 10 per cent of the total semiconductor market and the percentage may not grow much in the next ten years according to Dr D. O. Spiller, project manager for GaAs at STC. But the enormous growth of the "chip" market as a whole will mean that by the mid-90s, the GaAs segment could be worth £5000m.

In the UK, both Plessey and GEC (Marconi Electronic Devices) have similar programmes, but have concentrated on analogue rather than digital devices. STC sees its main competition at the moment to be Harris and Gigabit Logic in the U.S.

The main technical feature of GaAs is that electrons can move about in it some five times more freely than in silicon In these circuits there is always a trade-off between speed of operation and power dissipation—a high "speed power product" is highly desirable, and GaAs is superior in this respect to silicon. The practical outcome is that higher data rates become possible.

But for the future, an important property is that laser devices and circuit elements can be manfactured on the same chip, simplifying tomorrow's opto-electronics.

GaAs PROPERTIES SUPERIOR TO SILICON

Analogue Signal Processing	— Higher Frequency — Lower Noise
Digital Switching	— Higher Speed — Lower Power Consumption
Electro-Optical Functions	— More Versatile Optical Properties — Can Integrate Optical-Analogue-Digital
General Advantages	— More Radiation Tolerant — Higher Temperature Operation — Semi-Insulating vs Semi-Conducting Substrate

TEXTILE INSTITUTE HELPS MEDICAL WORK

Carbon fibre knee joints

SURGEONS CAN now replace damaged knee ligaments with orthopaedic implants made of carbon fibre as a result of work done by the Shirley Institute in Manchester in conjunction with A. W. Showell (Surgicraft) of Redditch.

Surgeons have tried various types of fibre for ligament replacement, including aramids and Teflon, but carbon fibre is claimed to have the greatest success in the way the body accepts it and uses it as "scaffolding" for the growth of new tissue.

Although a few technical problems remain, associated with the handling of the carbon fibre ligament during the operation and the length of time the patient has to have his or her leg immobilised in plaster afterwards, *Shirley believes its* research has made the ligaments more abrasion resistant and easier for the surgeon to insert into the joint.

This has been achieved by careful combination of a carbon fibre core and a polyester sleeve.

Shirley, the leading research institute on the cotton and man-made fibres side of the textile industry, says the reason carbon fibre is used is that it is chemically inert and the fibres are of such fine diameter *that they encourage* the new cells to grow.

This enables the patient to be up and about much more quickly than in the past. Previously the leg may have had to be in plaster for two to three months.

Television

Annotation on screen

A SCREEN annotating system introduced by Rees Instruments of Woking allows closed circuit television operators add sensor-derived and subsequent video recording.

Known as the DDUB, the system can accept 15 incoming signals in analogue or digital form, pasing the information to an analogue to digital converter if necessary and then to a microprocesor with its own alpha-numeric keyboard (for operator entry and control). The micro processes the data into a displayable form, alowing it to be added to the picture on the screen.

Four types of "page" can be selected for the display. One is a standard page heading with title, date, time and 23 lines of text. Another shows 36 separate items of data relating to camera operational data and sensor readings, while a third allows this data to be reduced in size and moved to a convenient spot on the frame area. A fourth page type allows one operator to record notes for use by the next.

The system has battery back-up for the memory and is expected to find favour for many industrial CCTV inspection applications. More on 04862 62221.

Software

Sales forecasts

A SALES forecasting programme has been introduced by Management Decision Systems. This system allows planners, marketing and production managers to carry out comprehensive sales forecasting in order to co-ordinate production and distribution.

The program runs on powerful IBM mainframe systems and Prime 32 bit superminicomputers. Called Easycast, the software can interface to many company departments including marketing, financial planning, inventory and materials management. More information from the company in Slough on 0753 822456.

The luck and wisdom of video investment

Video & Film

BY JOHN CHITTOCK

EVER SINCE the invention of photography in 1838, followed by cinematography, television and finally video, individuals and companies have been falling over each other trying to make fortunes out of new media. The trail of lost fortunes has been considerable, especially with the more recent electronic media. CBS, ICI and later CIBA-GEIGY lost heavily on the EVR cassette system—a playback-only forerunner of the videocassette.

Telefunken and Decca met disaster with their Teldec (later TeD) video disc system. And since then the toll has included Philips — first in and first out with its own videocassette recorder; Avco Embassy likewise with a rival VCR system in the U.S.; more recently RCA with the finally failed CED video disc player; and some would add the Nimslo 3D camera, which just survives.

Investors are now very *cautious, even nervous. Fools* did at times rush in where experts feared to tread, and some of the failures were certainly predicted by media specialists who reckoned they knew better. But some of the same experts also dismissed the VCR, the 35mm still camera, even cinematography.

The seasoned media investor has now seen enough company prospectuses to know the form—a dash of hi tech, statistics on growth in some of these markets, and forecasts. How indeed anyone can really forecast future markets, especially for absolutely new and innovative products, remains a mystery — but Mackintosh International has just published a major study of the 8mm camcorder *(The Strategic Impact of 8mm Video)* in which it predicts an annual market of almost $4bn in electronic photography by 1995 — with 8mm dominating camcorder sales.

Sony and Kodak clearly subscribe to a similarly optimistic view in supporting the 8mm format, but JVC and Panasonic meanwhile prefer to push ahead with the internationally compatible VHS camcorder.

Most of the video press seem agreed that 8mm video will have a very tough job to challenge the VHS camcorder, which is after all compatible with over 75 per cent of existing VCRs in the world. Why then 8mm?

Kodak says that its faith in 8mm video is based on the observation that whenever image-making processes are miniaturised, the market expands. True of 35mm photography. True of 8mm cine film. But the advantages then were not only miniaturisation, but large savings in the cost of taking pictures. The running cost of videotape is not, however, significant compared to film; and the JVC VHS camcorder is smaller than Koda-Vision's 8mm video anyway.

Whether the miniaturisation philosophy can better the experience so far of wholly electronic systems is another matter. The Sinclair pocket TV? The ¼in portable videotape recorder pioneered by Funai and Technicolor? And the equally miniaturised ¼in. VCR tried by both BASF and Toshiba, known as Longitudinal Video Recording (LVR)?

Other more spectacular failures have been compounded from inadequate technology (*RCA's video disc*), bad consumer design (users of the Philips and Grundig V2000 VCR needed a jet pilot's conversion course), unlucky timing (EVR was overtaken by the VCR), bad marketing (the earlier Philips N1500 VCR) or a combination of most if not all of these factors (the TeD video disc).

Now that Philips and Grundig have adopted the VHS format, and produced highly-acclaimed versions of their own, it may seem easy to deduce that one good investment lesson is to wait — to hold back — and let others make the mistakes.

If this idea has influenced Kodak's late entry into the video business, George Eastman must be turning in his grave because Kodak's domination of photography was based on pioneering and a succession of "firsts."

Those who would make their pile from programmes rather than hardware have found no fewer dilemmas in taking the right decisions. First in with software schemes have also provided many of the casualties: Catalyst Video's innovative "watch-and-wipe" video magazine *Movie* (a cinema promotion video programme for the price of a blank cassette); some of the so-called video book clubs (programmes by mail order with membership commitments); video advertis*ing programmes for display to* captive audiences in hairdressers, airport lounges even maternity wards.

Some pundits in consequence doubt that he specialist programme has a future. Yet surprises always await the cautious and the cynical—such as those who doubted that three well-known names from broadcasting (Tony Jay, Michael Peacock and John Cleese) could make any money by producing training films under the name Video Arts. And last week, a small British company specialising in sponsored productions—Chess Valley Films and Video—even surprised themselves at the *British Toy and Hobby Exhibition* by selling every available copy of a speculatively-made videocassette about model railways.

Chess Valley demonstrate in a very small way just how wrong the experts can be. The 50-minute videocassette was made by the company almost out of fun and a fascination for model *railways. Marketing wisdom* expected at best a modest sale to model shops and little chance of completely recovering the £25,000 production cost. But in just six months, video sales have already done that, with bonuses from a Channel Four transmision on Boxing Day and further sales to Central TV and overseas broadcasters.

Who is to say then that last week's launch of the Video Education Magazine—a monthly video pragramme for teachers—is too specialised to succeed? Or, more esoteric, a new video training series for the foreign exchange markets? The latter is available on VHD interactive video discs with 400 to 500 foreign banks as potential customers—its originators the oddly-named company Financial i.

As those hoping to make a fortune at the cinema box office have found, the only principle to be learned is that there are principles. Experience, judgment, detachment — maybe. Luck—undoubtedly.

Automotive

Navigation for cars

PHILIPS, the Dutch Electronics group, has made some progress in developing an electronic co-pilot for cars which can plan the route, guide the drivers to his destination and always knows where the car is at any time.

The project is code named Carin (car information and navigation). Philips researchers now knows, in principle, how the system can be built. They envisage that the system will have a modified compact disc system which could not only play music but also read road maps stored electronically on disc, and a navigation system linked to a central computer which can also monitor other car functions.

Initially, Philips believes that such a system would need an electronic compass but eventually it would be possible to carry out navigation via the planned Navstar global positioning system which will be complete towards the end of the decade.

Process

Density meter

SARASOTA AUTOMATION of Winchester, Hants, the flow density measuring specialist, has developed a liquid density meter designed specifically for food and drink processing.

All the wetted parts of the instrument are made from stainless steel or nitrile plastic and a smooth bore non-obstructed flow path eliminates the risk of contamination, allowing the measurement of almost any product used in the food industry.

A pick-up coil removes data from the tube and the results appear on a light-emitting diode display in a form to suit the customer—per cent fat or sugar concentration for example. More on 0962 883200.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Ruthlessness in self-assessment needed

The HOW TO of...

GETTING STARTED

THE starting point for all would-be small businesses should be a rigorous self-assessment by prospective owner-managers. This applies whether the people concerned plan to operate as individuals, or with others. There are four main areas to consider—personal ability, experience, confidence and the implications for family and lifestyle.

Len Collinson, who runs small business start-up courses for the Manpower Services Commission, says that to be successful, small business people must excel in their ability to work long hours, stick with a task, sell against the odds, lead others, make decisions, get things under way, take risks and responsibility, organise themselves and others, and have no problems motivating themselves and those around them.

Anyone falling down on more than one of these abilities should think carefully whether self-employment is for them, especially if their experience includes less than three of the following: management, production or service work, selling, finance or bookkeeping, and control of staff. In any event, they must also feel confident in their ability to cope with at least four of these five activities.

Even if the prospective entrepreneur passes the self-assessment test so far with full marks, the implications for family and lifestyle must be weighed carefully. Survival, let alone success — and especially in the early stages — will probably involve putting the business first, uncertain income for a year, possibly six months without income at all, and risking house and home.

Going ahead without family support would be foolish. Apart from anything else, small business life often leads to something for which people are totally unprepared, loneliness. American studies have shown that people most badly hit are those formerly employed by big companies, where they always had peers to talk to.

You may, of course avoid loneliness by setting up jointly with others, complementing each other's skills and experience, to improve chances. The more crucial question here is will you all work with the same commitment?

Ruthlessness in self-assessment is, in fact, the first lesson of small business. If you kid yourself, you increase your risk of failure. Many do, simply because most people who start small businesses are great optimists, and many fail. So how to avoid this?

Seeking impartial advice is the best way. You can get this free through your local enterprise agency. These have sprung up in their hundreds since 1982, after earlier ones proved very successful in helping small businesses start up. Most are sponsored by big business and local authorities working together, and have young professionals on secondment from institutions, such as banks and large accountancy practices.

People with practised eyes will look over both you and your proposals, and will say if they think you are overrating markets or your own capabilities. More important, they will pass you on to others who can help you strengthen your weaknesses, or proceed if you and your wares look worthwhile.

The crucial thing is to go into small business life wholeheartedly, but with your eyes open. Do it positively, not for a negative reason, such as merely escaping unemployment. There will be independence and job satisfaction, counterbalanced by loneliness and worry. With good management there should also be at least a good living. You may even be one of the few who become rich.

Ian Hamilton Fazey

A booklet containing all Ian Hamilton Fazey's "How to..." articles will be published at the end of this month when this series has ended. Inquiries regarding bulk orders should be made to Nicola Banham, Publicity Department, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. Single copies will cost £3.75.

How Murphy made his mark

Creating names is a growing business for Novamark. William Dawkins reports

WHAT'S IN a name? A great deal more than most people would believe—or so John Murphy will tell you.

That deceptively simple question prompted 40-year-old Murphy to abandon his job 10 years ago as Dunlop's UK tyre marketing manager and set up what he claims to be Britain's only specialist creator of names for products, services and companies.

Starting from the spare bedroom of his London flat, Murphy has built up Novamark International to a profitable business which expects to collect over £3m in fees in the current year and join the Unlisted Securities Market in 1986.

Well-known names dreamed up by Murphy and his 37 colleagues include Metro (it came within a whisker of being the Mini Match), Maestro and Montego for Austin Rover, Homebase for J. Sainsbury, Antaeus for Chanel and Quatro for Coca Cola.

Murphy's path has not been easy. Indeed he admits to having come close to throwing in the towel several times. Yet Novamark has flourished thanks to companies' growing awareness that a brand name is an effective way of establishing an identity for products being sold in increasingly international and diffuse markets. At the same time, the sheer number of brand names already in existence has created a legal minefield for any concern attempting to launch a new line.

This has been coupled with a recognition that trade marks—the legal form of protection for brand names—are cheaper to obtain and defend than patents, which in any case run out after 20 years or so.

So it is no accident that the number of new names filed on the UK register of trade marks has risen from 16,600 annually 10 years ago to an estimated 24,000 in 1984. Japan has more than 1m names on its register, while the U.S. has just short of that number. Novamark's profits have climbed accordingly; up by £100,000 to £250,000 pre-tax in the year to last December.

In that sense, Novamark is a classic example of a company which has successfully exploited an apparently basic idea by being in the right place at the right time.

It all started when Murphy was detailed by Dunlop to find a name for its latest safety tyre. The problem was to hit on a name that would sound suitable in all languages, while at the same time avoid infringing any of the several million trade marks already registered the world over.

Dunlop's advertising agency came up with a series of ideas which Murphy and his colleague Mike Grant, the group's trade mark lawyer, felt were "either too much like slogans or too banal to be worth protecting." After several weeks of head-scratching, the pair made their own suggestion—De Novo.

Few would hold up De Novo as an example of pioneering brilliance in branded products, but Murphy points out: "It struck me that if I had this difficulty in finding international brand names, then other people would too."

The demand seemed to be there, but customers were less easy to find. Murphy left Dunlop in 1974, only to be unable to pay himself a salary for two years.

Eventually, the odd contract did begin to filter through, mostly from customers whose own marketing teams had drawn a blank and were trying Murphy as a last resort. Grant joined his old colleague a year later, and the pair borrowed £10,000 from National Westminster Bank to take a short lease on an office in Hanover Square. Grant handled the legal work—registering names and ensuring their legal availability—while Murphy was in charge of name creation.

Names are generated through a process which Murphy calls "brainstorming." He built up a pool of lawyers, academics, managers and even a member of the House of Lords, who were paid to meet occasionally to suggest names according to a brief prepared by Novamark.

The real break came in 1978, when BL, a subject of repeated Novamark mailshots, called in Murphy to create a name for its latest small car.

Time was already short. BL had only a few weeks before it had to start cutting the Metro name in metal for the car badges, quite apart from preparing promotional material for the launch. The "brainstormers"—who were given no clue to the client's identity—were asked to come up with a short punchy name for a Japanese car to be sold in Western Europe. It had to begin with M, partly to echo the old Morris marque.

Four weeks before deadline, Sir Michael Edwardes suddenly changed tack. He announced that the name was to be selected from a ballot of the workforce, using three Novamark proposals. The ballot papers had to be printed in seven days' time.

Metro, Maestro and Match were the three candidates, with a recommendation from Novamark that the latter should be chosen because of its wider acceptability in important European markets. Match got a clear thumbs down, but the publicity gained from the contract changed Novamark's fortunes almost overnight.

By 1979, the combined fee income of Novamark and its legal subsidiary had reached £250,000. "For the first time, we started to think of ourselves as a business, rather than a bunch of people doing something we enjoyed," says Murphy.

Grant had already started to do legal work for Mars, the U.S. foods group, and on the strength of that, Novamark invested £100,000 from its own cash flow to set up a New York office, which now earns a quarter of the group's fees. That was followed in the next three years by offices in Paris, Tokyo and Frankfurt. Paris, the most difficult market, has never made a profit, but the others showed that the formula built up in the UK could just as easily work overseas.

By early last year, the volume of creative work flooding through Novamark's new offices in New Bond Street justified the installation of a £100,000 Hewlett Packard computer system.

Apart from providing a data base for the names dreamed up over the years, it also allowed Novamark to link directly with national trade mark databases overseas.

Murphy could see that his funding needs would soon get larger, and that one solution would be a USM quotation. There are plans for further overseas offices in Milan and possibly Amsterdam, and Murphy feels that he could make more use of his extensive client list by opening a design service. It includes ICL, United Biscuits, British Telecom and Hitachi among others, and 70 per cent of his orders now come from existing customers.

With little experience of the City, Murphy sought outside help by recruiting Jeremy Fowler, 41, who last summer resigned as chief executive of Aidcom International, the fast-growing design and research group which was one of the first companies to join the USM in 1980. It was an ironic twist of fate because Fowler had approached Novamark in 1981 with the idea of making a friendly bid.

As part-time deputy chairman, Fowler will be in charge of next year's flotation. "Aidcom had changed tremendously, and I felt it was time to do something more entrepreneurial," explains Fowler.

John Murphy with some of the products he has helped onto the market

In brief...

A PRACTICAL straightforward layout of the main points of employment law is the basis of a book aimed both at small businesses and at the general managers of medium and large companies who want an overall grasp of the subject.

"Employment Law Keynotes" deals in easy to read shorthand form with the law as it applies before the contract of employment, during it and on its termination.

With an eye to the practical application of the law, the book, written by Len Collinson, a management consultant and Chris Hodkinson, assistant director of the CBI's north west region, incorporates the texts of seven codes of practice.

It is also presented in the form of a checklist intended to help businesses see whether certain aspects of the law apply directly to them. Examples of what a terms and conditions contract looks like, as well as a health and safety policy statement and a grievance procedure are included.

Colgran Publications, Colgran House, 20 Worsley Road, Swinton, Manchester. £7

●

INVESTORS KEEN to make full use of their £40,000 Business Expansion Scheme tax allowances by the end of the fiscal year can seek guidance in the January/March issue of "An Outline Guide to BES Funds."

Published by John Harrison of Investment and Tax Planning Services, Regal Lane, London NW1, the guide costs £4. It compares the initial management charges, minimum accepted investments and other details of the funds open to investors on January 16. Subscribers will be updated on any new funds as they emerge during the life of the current edition.

BES funds have to be fully invested by the need of the tax year for subscribers to qualify for relief on their 1984-85 investments. The guide contains portraits of the main fund management groups and their directors, along with details of earlier BES portfolios and gives some guidance on their investment philosophies.

●

Lovat Enterprise Fund the £6m venture capital group run by licensed dealers Granville & Co. has invested £375,000 in K. T. Quirke & Sons, an operator of petrol stations and forecourt shops.

Lovat is taking a 20 per cent stake in Quirke, which was founded in 1969 as a petrol forecourt operator. Quirke's Motique division runs nine forecourts and shops in the south-west, while its Impulse subsidiary claims to be the UK's largest wholesaler of impulse goods sold in petrol stations.

Impulse started trading in October 1981, achieving a turnover of £1.7m in its first year. The division's sales are forecast to reach £8m in the current year to December, out of a group turnover of £19.6m.

Quirke will use the money to enlarge Impulse's distribution network. The group says the forecourt merchandising market is expanding as the oil industry has found that price pressures are squeezing the margins on petrol sales. The industry has tended to concentrate on a smaller number of high-volume self-service petrol stations, which provide a good opportunity for forecourt shops.

●

SUNDERLAND Polytechnic is planning a 10-week course to advise young people on how to start their own businesses.

Starting on February 18, the course will deal with raising finance, taxation, finding a market and choosing premises. Participants will also be assisted in drawing up business plans, the costs of which will be partly met by the Manpower Services Commission.

Course fees will be funded by the MSC, and unemployed participants will receive a tax free weekly allowance. Anybody already receiving an enterprise allowance will continue to do so.

Inquiries should be sent to Frank Patterson, co-ordinator of Sunderland Polytechnic's Small Business Centre, Department of Business Management, 1-4 Thornhill Park, Sunderland, SR2 7JZ. Tel: 0783 41231.

●

THE RECENTLY published British Information Register may be of help to those seeking funds or business advice. It contains details of investment incentives and services provided by government, regional and local bodies as well as the private sector. It has also been distributed to the portfolio managers of 1,800 international banks and financial institutions as well as to the financial director of 5,000 multinational companies. Further details from: Information Services, Windsor Court, East Grinstead House, East Grinstead, West Sussex. Tel 0342 26972.

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We are the Technology Transfer Group within a substantial International Corporation and wish to establish contact with privately controlled hi-tech companies involved in leading-edge applications of materials technology, who believe that the financial, technical, sales or other resources available through collaboration with a larger organisation could be appropriate to their own needs.

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Materials Handling ALLENS FOURWAYS LTD., Tipton ROSSMORE ENGINEERING CO. LTD., Littlehampton, Sussex.	specialising in systems for warehousing and distribution.

The group also operates a nationwide spares and service network. The group's turnover is in the region of £14 million a year and employs approximately 400 people.

For further details please contact:

Mr D.R. Wilton or Mr K.R. Powell at Tipton 021-557 3977

Mr D. Stringer at Littlehampton 0903 714295 (re Rossmore Engineering)

or contact the Joint Receiver and Manager:

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For further information please contact the joint receivers:

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Telephone 01-486 5888.

SH Stoy Hayward

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UK COMPANY NEWS

Alexander Nicoll on the rationale behind Harrisons' bid for Pauls

Seeking to plough parallel furrows

Pauls, target of yesterday's £106m bid from **Harrisons & Crosfield**, may rue its publication last month of a glossy 24-page brochure giving a very full account of the company's activities and newly-streamlined structure.

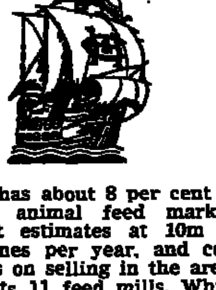
Mr Thomas Prentice, Harrisons chairman, quoted liberally from it yesterday in setting out his company's rationale for the bid—though he said Pauls had been identified as a possible acquisition before its name was changed last June from Pauls & Whites.

Harrisons' good timing is also in evidence on a more fundamental level than this, however Pauls, facing diminished growth prospects for its animal feed and malt businesses, had strengthened its flavours and fragrances division and branched into food for humans, but has yet to see the full benefits in its bottom line.

Growth in pre-tax profits has been slow, despite steady increases in turnover. In the year ended March 31, 1984, pre-tax profits slipped to £11.3m from £11.6m on turnover of £346.3m, up from £304.9m. The company has forecast little change

Pauls' largest business, animal feeds, has suffered from EEC farm policy. Initially, the company welcomed Britain's entry into the Common Market on the argument that high prices paid to farmers would keep up feed prices. But margins on feed fell sharply in the 1970s.

Perhaps the biggest blow came last year, when milk production quotas were imposed and sales of cattle feed temporarily dried up before resuming at a much lower level. Pauls has also suffered from an exceptionally long downturn in the "hog cycle"—it is strongest in pig food and also breeds pigs in conjunction with farmers—although the market improved considerably in 1984.



Pauls has about 8 per cent of the UK animal feed market, which it estimates at 10m to 12m tonnes per year, and concentrates on selling in the areas around its 11 feed mills. While remaining a strong competitor in this field, it has decided that growth for the company lies elsewhere.

"The Common Agricultural Policy seems designed to bring about violent fluctuations in the supply and hence profitability of livestock with consequent effects on the feed industry," Pauls said in its recent brochure.

Malt, Pauls' second largest activity, has also been going through a tough period. The levelling off of UK beer consumption and overcapacity in Scottish distilleries has forced Pauls to close two maltings, leaving nine. It has also just extricated itself from an expensive mistake it made in investing in a West German malster.

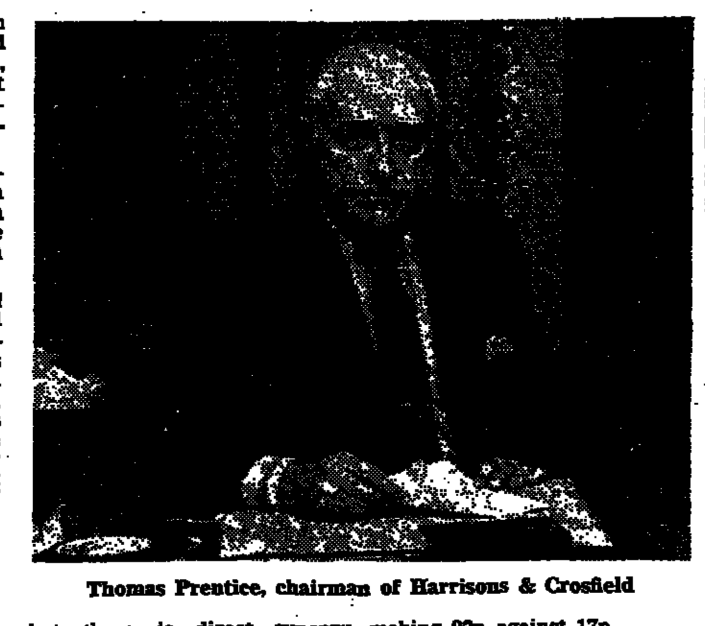
A further thorn in the company's side has also been removed with the disposal of a feed company in Nigeria, where it retains a malt importer which it says is doing well.

The City has been impressed by Pauls' moves to cope with all these problems, and by its build-up of the flavours and fragrances division which offers good growth prospects. Products include hops, essential oils, spices, essences and flavours, including those found in potato crisps and other snack foods. Last year it bought Telford Foods, a maker of muesli and other products.

If Harrisons' Mr Prentice has also been impressed, he clearly believes that Pauls could achieve a better return on capital. But he was choosing his words carefully yesterday and avoiding any direct criticism of Pauls' management record — despite Pauls' obvious distaste for his approach.

"Pauls' policy of providing operating units with autonomy is identical to Harisons'," he said. "We want the company to run under the name of Pauls and under Pauls' management." The synergy between the two companies, he says, lies "in their management styles and philosophies."

Mr Prentice does not claim that there *is* direct synergy between the businesses though he stresses their common experience of agriculture and says that Pauls should be a temperate agriculture division parallel with Harrisons' existing tropical activities.



Thomas Prentice, chairman of Harrisons & Crosfield

Harrisons estimates that group profit before taxation and extraordinary items for 1984 was not less than £82m (£56.6m) and that earnings per ordinary share were approximately 37p (24.55p).

The company also intends to pay a final 1984 dividend of 15.5p, *making 20p against 17p.*

The group also disposed of its interests in 10 UK plantation and investment companies in 1984, giving rise to extraordinary profits of approximately £9m after taxation.

Despite Mr Prentice's muted tones yesterday, a battle for control *is now in prospect.* In the City, analysts believed that a number of companies could be interested *in making a rival bid* —although Pauls' principal competitors could well be ruled out *on monopoly grounds.*

Hoskins 'leapfrog' battle nears end

By Charles Batchelor

AN END is in sight in the long-running takeover battle for Hosking and Horton, the hospital equipment and light engineering group.

London and Midland Industrials (IMI) has increased the value of its cash bid to £8.8m and declared that both this and its existing share offer will not be increased or extended beyond February 17.

LMI has been fighting a leapfrog battle with Scottish Heritable Trust (SHT) since the end of November for the hand of Hoskins. SHT first put in a £5.9m bid on October 4.

The Hoskins board has recommended all three IMI takeover offers but SHT, which has increased its original bid no fewer than *three times, has the advantage* of a 28.8 per cent stake in Hoskins built up before the bidding started.

LMI backed up its latest offer with a forecast that it will pay a final dividend of *5.25p per share for the year* ending March 31 1985 to make a total for the year of 9.5p, an *increase of 19 per cent over* the previous year.

The value of its cash offer *has been increased to 325.5p* from 300p. This increase was made possible by LMI's underwriting of the share offer through its merchant bankers, Henry Ansbacher.

The share offer made by LMI on January 9 *is* unchanged. This comprises seven LMI shares for every four Hoskins shares. At LMI's closing price of 200p yesterday the offer is worth 350p per share or a total of £9.5m. Hoskins' shares fell 5p to 348p yesterday.

An important element of the LMI bid is an agreement to sell the Horton quarrying and ready-mixed concrete business to Redland, the building products group, for £4.47m.

SHT currently has on the table an offer of 10 of its own shares and 360p cash for every three Hoskins shares. *At SHT's closing price of 68p yesterday this offer* values Hoskins at 346p per share or a total of £9.4m. There is a cash alternative worth 320p per share, a total of £8.7m.

SHT also has an agreement to sell on the Horton quarrying business—to Tilcon, part of the BTR group, for £5m.

LMI said its offer allowed Hoskins' shareholders to choose a shares-only option, avoiding any immediate capital gains tax liability, *whereas* the SHT share and cash offer implied some tax liability.

LMI owns 2.7 per cent of Hoskins and has further acceptances to its previous offer of a further 5.9 per cent of Hoskins' shares.

Bulloughs call for £11.5m with an eye on borrowings

BY ALISON HOGAN

Bullough, the light engineering and furniture manufacturer, yesterday announced a 47.5 per cent jump in pre-tax profits to £10.12m in the year to October.

The group also gave details of a one-for-one rights issue to raise £11.5m aimed at bringing down borrowings following a number of acquisitions.

The 65p price of the rights compares with yesterday's closing market value of 465p, up 37p.

The directors decided to discount the issue deeply to avoid underwriting costs and in effect split the shares and bring them down to a price level closer to the range of March 1983 when the company made its last scrip issue.

Bullough's net borrowings had *risen to £13.2m before the rights* issue as a result of a number of acquisitions, including two purchases in March last year-George Barker, a manufacturer of refrigerated display cabinets and a major Marks & Spencer supplier, was bought for £6.5m.

Westwood Holdings, a maker of paper shredders, guillotines, collators and binding machines, was acquired for £4.8m.

With net borrowings almost eliminated, Mr Derrick Battle, Bullough's *managing* director, *expects the group* to make further acquisitions of a similar type and size with profits of up to around £1m.

Bullough's pre-tax profits of £10.12m were up from £6.86m. The increase was largely due to contributions from George Barker and Westwood, along with an "excellent result" from Bullough's largest subsidiary, Project Office Furniture.

The special products division *increased its earnings,* helped by a first full year contribution from Pipeline Engineering, a maker of equipment for cleaning oil and gas pipelines. Other products within this division include domestic wire products, pressure gauges and library shelving.

Turnover of Propafior, a manufacturer of raised office and computer floors, was higher though profits were lower because of increased pricing competition.

In the Newman Granger division better profits from the car jack activity failed to offset fully the effect of lower aerospace sales.

Johnson and Starley, maker of warm air central heating units, produced a good result. Late in the year it acquired a similar but smaller company, Balmforth Warm Air.

A major development programme at the loss-making retail display Beanstalk company has been undertaken. New management has been brought in and the board says the outlook is brighter, although losses will continue in the short term.

Group directors expect further, but more moderate, growth in the current year, though seasonal effects will inhibit progress in the first half.

The company made an increase deferred tax provision for the year which has been adjusted in the extraordinary item of £1.12m. The balance of £208,000 arises from reorganisation costs.

Earnings per share rose from 22.86p to 31.97p. A final dividend of 8.1p (5.4p) lifts the net total from 8.4p to 12.6p.

● comment

The steady expansion of Bullough through acquisitions makes year on year comparisons difficult and it looks as though the management led by Derrick Battle will hardly peause for breath before hitting the acquisition trail again. The board outlined its policy a couple of years ago, to find companies in niche market sectors, of a sufficient size (circa £200,000 to £1m profits) to be able to stand alone. They believe in a small central staff and a high degree of autonomy to local management. It is a philosophy that the likes of Lord Hanson and Sir Owen Green have put firmly in vogue and one Bullough's predominantly institutional shareholding appears to approve. The share price has come up in 12 months from 234p to yesterday's close of 465p up 37p on the day where the historic p/e is 14.5.

Textured Jersey up by 64%

Textured Jersey, a knitted fabric maker, increased profits before tax by 64 per cent, from £193,000 to £317,000 for the six months to October 31 1984. The figure included "an appropriate amount" from the company's insurers to cover a fire at one of its Corby factories in September 1983.

Sales increased 21 per cent to £8.05m but, the company says, while business has increased its market share, margins remain under pressure reflecting high street changes and increased petition.

The interim dividend is being held at 1.75p. Last year's final was 2.25p when pre-tax profits were £485,000 including a £300,000 consequential loss claim from the fire.

Earnings per share improved from 3.99p to 4.52p after a higher tax charge of £141,000 (£37,000).

The increase reflects the withdrawal of stock relief and reduced capital allowances following last year's Finance Act.

The company says it has a healthy order book and expects record sales for the year.

Restway offering 1.26m shares via subscription

Williams de Broe Hill Chaplin are offering 1.26m shares in **Restway Retirement Homes** by way of subscription at £1 a share.

The recently formed company will join the growing number of businesses specialising in building accommodation for the elderly.

The shares will not initially be traded on the full stock market or the USM. Investors in Restway will, however, qualify for tax relief under the Government's Business Expansion Scheme.

Restway was founded by Emrys Fuge and Walter Davies, both chartered surveyors. They intend to progressively increase the activity of the company and expect that in five years time it will have several developments under construction with further sites both purchased and under investigation

It is their intention to launch Restway on the USM at that time providing the company's performance and the condition of the market are appropriate.

Tannoy hire and rentals bought out

By Charles Batchelor

THE HIRE and rentals division of Tannoy, the public address system manufacturer, has been bought out by its management for £175,000.

Tannoy's manufacturing operations were themselves bought out by their management from the company's U.S. owners, Beatrice Foods, two years ago.

Tannoy's management, based in Coatbridge, Scotland, could not devote sufficient time to the small hire and rental division, which moved back into the former Tannoy group headquarters in West Norwood, London.

The hire and rental division, renamed Westminster Audio Communications, expects to achieve turnover of £450,000 in 1985, said Mr Jim MacLennan, managing director. It was a profitable part of Tannoy, he said. It employs 21 people.

Three senior executives of the division, led by Mr MacLennan, have put up £35,000 to take a 33 per cent stake in the new company with Midland Bank Venture Capital providing £125,000 and Midland Bank a further £20,000.

Under Beatrice and an earlier U.S. Tannoy's public address system business was run down to concentrate on audio equipment. It lost money between 1978 and the buy-out in January 1982.

Its new British owners re*sume d production of address* systems and these will form the core of Westminster Audio's hire business, though other manufacturer's systems are not excluded.

Tannoy maintains voice-raising and recording systems in the Palace of Westminster and provides the sound feed for BBC coverage of both chambers.

Herrburger Brooks loss

Trading conditions continue to be difficult for **Herrburger Brooks**, which serves the piano trade, but the fall in sterling against the dollar has hit the group hard.

It has increased material costs substantially and led to a loss on exchange of £51,000 in the half year ended November 30 1984, and this in turn has moved the group round from a £97,000 profit to an £11,000 loss pre-tax.

Turnover in the period dipped by 1.71 per cent to £2.37m and the trading surplus fell from £121,000 to £13,000. Interest charges were again £24,000. The directors believe that additional business in Asia and Africa will help towards a return to profitable trading in the second half, but stress that the market for the group's products remains difficult.

Potential areas of diversification in the woodworking field are under review, but considerable research is required because of the very nature of the present production—piano actions, keys and hammers.

Loss per share for the half year came out at 0.87p (earnings 3.71p after tax £48,000). For the whole of 1983-84 the pre-tax profit was £181,000 and the dividend 1.5p net.

Warner Estate tops £3m

Warner Estate Holdings, property investor, pushed full year taxable profits up from £2.5m to £3.15m. The dividend is being raised by 4p to 15p with a recommended final payment of 10p (7p).

Turnover for the year to end-September 1984 amounted to £10.23m, against £8.85. Tax totalled £1.29m (£948,000), after which earnings per share were stated as 18p (14.4p). Extraordinary credits of £2.82m (£2.27m) were transferred to other reserves.

During the year the company purchased 250,000 of its own shares for cancellation. A further £5,000 shares can be bought, at a maximum 505p each, before September 8 1985.

Total net book value of land and buildings at the year-end was £62.52m (£53.25m). Net asset value amounted to 778p (634p).

Australian move by County Bank

County Bank, the merchant banking arm of National Westminster Bank, is to establish two subsidiaries in Australia to provide services in the domestic and international capital markets, corporate advice and investment management.

Trading is expected to start towards the middle of this year.

The move follows approval granted under Australia's foreign investment policy, and gives an entree for NatWest to a country which is still closed to full foreign commercial bank participation.

Delta agrees S. A. Africa share sale for £5.2m

Delta Group has agreed the sale of its half share in R. Jackson Holdings, a South African metal stockist and distributor, for R11.7m (£5.2m).

Dr Robert Easton, head of Delta's resource services division, said the move was intended to continue a diversification away from the group's traditional metals business.

Haggie of South Africa, which has held the other 50 per cent of Jackson, is to take full control. In 1981 Delta obtained an option to sell, exercisable this year, as part of a reorganisation

Dr Easton said Jackson had been making modest losses for the past three years. The proceeds, payable in December, were put yesterday at nearly triple the current book value.

Fleming Enterprise

Fleming Enterprise Investment Trust had a net asset value per 25p share of 322.4p at the end of 1984 compared with 257.6p six months earlier.

The interim dividend is lifted by 0.5p to 2.5p net. A total of 7.3p was paid for 1983/84.

Total assets increased from £25.76m to £32.24m and the directors say that during the six months performance was boosted by the increase in the value of Neighbourhood Stores on receipt of an offer for its capital, by favourable price performances from several of its larger investments, and by Candover Investments attaining a full listing.

Derwent Valley

A final dividend of 70p from **Derwent Valley Holdings** makes a total of 85p for 1984. The company was created last August as the new holding vehicle for Derwent Valley Railway.

Turnover came to £107,180, compared with £121,129, and the profit to £44,080, against £45,231. With the addition of the surplus on disposal of fixed assets £32,326, down from £229,116, the pre-tax profit for the year is £76,406 (£274,347).

Tax takes £19,500 (£88,147) and there are extraordinary debits of £43,809 this time, being the costs of the scheme of arrangement. Earnings are shown at 110p (370p) per share.

African Lakes

Strong tea prices led to more than doubled pre-tax profits of £1.26m at the African Lakes Corporation for the year to July 31. 1984, against £524,858 previously. The dividend is stepped up from 1.1p to 1.5p net, and a one-for-five scrip issue is also proposed.

Turnover of this tea and rubber planter increased from *£9.91m kto 13.74m. Tax too* £207,311 (£93,389) and attributable profits came out at £658,973, against £257,665. Earnings pre share were ahead from a stated 6.12p to 15.67p.

Lower values and metallurgical problems resulted in a loss on G and P's mining operations and rdought conditions affected its agricultural results.

Western Motor moving on with its rationalisation

THE FIRST phase of Western Motor Holdings' programme to reduce its borrowings and restore profitability is under way, and the directors are currently pursuing the next step.

Initially, the plan was to close and sell garages and associated assets at Cheltenham, Penzance and Launceston. To date only the sale of Cheltenham has been completed, although contracts have been exchanged to dispose of the other two. The properties will realise an aggregate £500,000, which is some £100,000 below the end-1983 book value.

Further details of the second phase will be contained in the annual report covering 1984, which will be published in April.

The directors of Estates & Agency Holdings, which owns 29.9 per cent of the Western Motor ordinary capital, have given their full support to the programme.

The Austin-Rover Group has formally notified the company of the termination, as from the end of this year, of the distributor agreements relating to Exeter and Truro.

Western Motor has been incurring substantial losses for a number of years, and last November announced its plan to sell off surplus properties to reduce bank debt and restore profitability.

UK COMPANY NEWS

Eric Short looks at plans to sell Lloyd's Life

Lloyd's stirs takeover interest

TAKEOVER interest in the UK life assurance sector picked up considerably yesterday when the Corporation of Lloyd's announced that it was putting up for sale its subsidiary life company, Lloyd's Life Assurance, to the highest acceptable bidder.

The interest was intensified when Mr Peter Cadbury, of Morgan Grenfell, the merchant bank advising the corporation, indicated that he was looking for the sale to raise around £100m, even though the latest valuation, at the end of last year, puts Lloyd's Life on an unofficial market capitalisation of £46m.

This might look like small beer after Hambro Life's £664m sale to BAT Industries and Abbey Life's £400m-plus proposed flotation. Nevertheless, the sale is expected to arouse interest from UK and overseas institutions eager to enter the UK life market through an established life company.

There has been a trickle of life companies up for sale over the past couple of years. But apart from Hambro Life and Abbey Life, these have been small or companies established in the past decade or two. Prior to this, virtually no life company ever changed ownership.

But conditions are changing rapidly in the UK life sector. Insurance operations are becoming internationalised, for life as well as general insurance business. The ability to offer a range of financial services is now a common ambition among financial institutions, and banks in particular are keen to get into the act through buying established life companies.

For every life company up for sale, there is a host of institutions, UK and overseas, willing to put in bids.

When the U.S. insurance broking company Marsh, McLennan, put its UK insurance subsidiary Crusader Insurance (mainly a life company with a small non-life operation) up for sale three years ago, around 80 institutions made offers.

Underlying conditions in the UK life market have been very favourable during the past few years. Growth in new life and pension sales have been buoyant. The industry is confidently predicting that the loss of business folowing the ending of life assurance premium relief is just a temporary setback.

The Market, including traditional companies, is confident that linked-life business will remain a growth sector for the rest of the century

Business results for last year, published yesterday by life company associations showed that linked life sales were only marginally down inspite of the loss of the assurance premium relief. The market, including traditional life companies, is confident that linked-life business will remain a growth sector for the rest of the century.

In these circumstances, conditions look good for UK life companies in general and for linked-life companies in particular. Lloyd's Life, established in June 1971, is essentially a linked-life company that has expaded rapidly in the past few years, having recovered well from early problems.

Lloyd's Life has made a major impact in the offshore life market, through its Isle of Man subsidiary, aiming at the growing expatriate market. Offshore business recovered remarkably quickly from the setback imposed by revenue action against currency funds.

The returns to its shareholders — held as investments in members' premium trust funds —have been good. A £1 nominal share was valued at £11.50 at the end of last year. So why is *Lloyd's selling a successful operation?*

The reasons relate solely to the way in which Lloyd's operates according to Mr Peter Miller, Lloyd's chairman. The company's success has imposed problems for trust funds, which cannot hold more than 1½ per cent of their funds in a single asset.

Also, existing shareholders had made it plain to Lloyd's Life that no further capital would be forthcoming. So far, the company has managed to finance expansion internally, but any move into wider fields, such as financial services, would need substantial injections of capital.

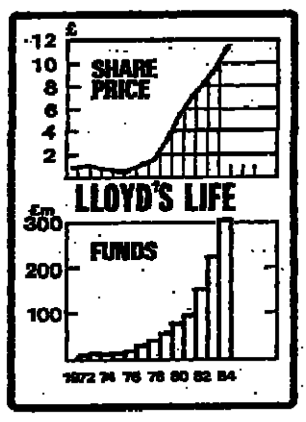
Lloyd's Life's unusual share structure was devised to permit Lloyd's members to become involved in long-term insurance business indirectly. Its constitution prevents members from direct participation in such long-term business.

Finally, the present set-up, with shares in Lloyd's Life held by members and the corporation's special A share with powers of veto, were leading to conflicts of interest. An example, Mr Miller said, would be a move into the U.S. life market.

Mr Miller emphasised that the move to sell Lloyd's Life did not arise as part of general divestment policy nor because the shareholders needed the money. The sale's timing, in buoyant conditions, being fortuitous.

Nevertheless, the corporation and its banking advisers are looking for a windfall on the sale and with good reason. Life companies up for sale in recent *months*, with far less growth history or prospects, have been sold for substantial premiums over net actuarial worth, simply because the demand for these companies has been so strong.

For example, Cannon



Assurance was sold to the U.S. life company Lincoln National for £40m, while the sale of Providence Capitol is expected to raise more than this figure. Both thes ecompanies are far smaller than Lloyd's Life.

To ensure the maximum price, the corporation wants to sell to *the highest bidder, in preference* to a private one-for-one sale, such as Cannon's, or a public flotation, as in Abbey Life's case. Morgan Grenfell has sent a circular to about 100 institutions and is willing to accept offers from others.

The company will not go to the highest initial offer. The ultimate buyer must be acceptable to the corporation and give certain guarantees regarding the future of the company, its policyholders and staff.

The intention is to draw a short list of six potential buyers. These will be provided with an independent actuarial valuation of the company on the basis of which a bid can be submitted. The current share valuation is made on very conservative lines by the actuaries.

Now that it has made the initial sale announcement, Lloyds intends to make all future dealings concerning Lloyd's Life confidential.

British Land's hopes dimmed as Stylo camp builds up stake

BY ALEXANDER NICOLL

British Land's chances of securing a substatnial stake in Stylo, the shoe retailer, dimmed yesterday when the Ziff family, which controls Stylo, and Town Centre Securities, of which Mr Arnold Ziff is chairman, bought more Stylo shares.

Mr Ziff, Stylo's chairman, said there had been fairly substantial buying yesterday in addition to the 860,000 shares which have already been disclosed. Most of the transactions so far disclosed have been by Town Centre Securities, at prices up to 188p.

The Stylo camp is believed to have amassed more than 2m shares in its attempt to block British Land, including several large blocks sold by institutions who clearly believed that the tender might fail, and that they would thus have no chance of *realising the 185p cash price* which Land is offering.

British Land's offer is conditional on 8m shares being tendered. If the tender fails because the total is less than that, Stylo's share price is expected to fall sharply.

Last year, a bid by Harris Queensway commanded over 11m shares, but failed because of Stylo's two-tier voting structure. The share price then fell as low as 88p.

The maximum 9.02m shares being sought be British Land, in return for its own shares or cash, would give it a bare majority of the equity but only 29.9 per cent voting control. Ziff family "management shares" have 16 times the voting power of ordinary shares.

A close count seems in prospect when the tender closes at *3.00 pm today.*

Leaderflush doors boost Trent profit to£259,000

Demand for Trent Holdings' Leaderflush security, fire resistant doors and doorsets continues at record levels with pre-tax profits for the half-year up from £195,019 to £258,977.

The interim dividend is increased 20 per cent to 0.42p net. Last year's final was 0.525p when pre-tax profits reached £512,171.

Stated earnings per 10p share declined from 2.50p to 2.47p after a higher tax charge of £80,500 (£32,500).

The result was achieved on sales £1.24m higher at £2.84m for the six months ended September 30 1984. Some of the increase came from the inclusion of Parker Winder and Achurch, specialised architectural ironmongery, door and security fittings merchant, which was acquired in October 1983.

Pre-tax profits were struck after interest payable of £11,624 (£14,686).

Mr Geoffrey Simon, chairman, says production for its goods has been increased in accord with demand.

The level of business being conducted by Parker Winder and Achurch is rising steadily, although sterling's current weakness is having some effect on margins, the directors expect the results for the full year to demonstrate further substantial growth in group business.

The industrial development at Newbury, Berks, should be completed in the spring.

Part of the company's property at Trowell has been sold. It is expected that the balance will be sold within the next two months. The total sum expected to be received from the two sales is £150,000.

The figures principally combine the results of Leaderflush doors and Parker Winder and Achurch. Leaderflush has achieved a record level of first-half profits and sales.

COMPANY NEWS IN BRIEF

Mr Michael Cannon, the chairman of Inn Leisure Group, told shareholders at the annual meeting that the current year should show the full benefit from the branches opened during 1984, and he looked to the future with confidence.

The USM-quoted group, which operates public houses and wine bars, had acquired four more branches this year, said Mr Cannon, with beer barrelage at approximately 30,000 per annum and increasing.

In the 12 months to end-September 1984 the group turned in a 77 per cent increase in pre-tax profit to £953,800 (£537,893) on turnover of £7.34m (£5.06m).

* * *

Throgmorton Trust's net asset value amounted to 265.4p per 25p share, prior to charges at par, at November 30, 1984, compared with 211.34p a year previously.

Since the end of the financial year the value has risen further. On December 31 it stood at 284.4p, on the same basis, or 282.94p taking prior charges at market value.

Ordinary shareholder funds over the 1983-84 year rose by nearly 26 per cent from £117.9m to £148.1m.

Throgmorton, an investment trust, says substantial all-round progress has been made in the year under review.

Factors contributing to its performance included strategic acquisitions and the protfolio reorientation of the last two years. Both are bearing fruit. The trust expanded its specialisation in small companies to cover overseas investments, mainly in the U.S.

Gross revenue for the 12 months to November 30 1984 rose 21 per cent from £7.43m to £8.99m.

After expenses and interest of £3.23m compared with £2.7m and a lower tax charge of £1.44m (£1.71m) net revenue emerged at £4.32m against £3.02m.

Earnings per share increased from 5.95p to 7.6p. The final dividend is up by 1p to 4.75p bringing the net total to 7.75, an increase of 15 per cent.

* * *

NET ASSET value per 25p stock unit at British American and General Trust rose from 105.3p to 113.5p in 1984. The final dividend is unchanged at 1.6p net for a same-again total of 2.6p, and stated earnings per stock unit were lower at 2.49p against 2.77p.

Net earnings were £1.25m compared with £1.39m. Investment income totalled £2.08m (£2.86m), other income improved from £120,000 to £159,000, but administration expenses increased from £190,000 to £218,000. Interest charges fell from £535,000 to £143,000 and tax was down from £827,000 to £591,000.

* * *

TAXABLE PROFITS of Alfred Walker, estate developer, dropped from £30,000 to £1,000 for the six months to October 31, 1984, and as expected, the full year result is likely to remain at a modest level. Last year, the company made £4,000 pre-tax.

Turnover fel from £603,000 to £470,000, but trading surplus was £12,000 higher at £62,000. There was again no tax and stated earnings per 10p share declined from 1.7p to 0.1p. There is no interim dividend (same) and the year's distribution will be considered at the appropriate time — last year's payment was 0.75p net.

* * *

Caledonian Offshore, Edinburgh-based oil and gas exploration and production company has allotted 2.42m new ordinary shares for £4.8m.

The shares, which include 39,524 in respect of excess applications, represented 85.7 per cent of the shares offered by way of rights. The issue was not underwritten.

In the first half the company has continued its drilling activity in the U.S., participating in 98 wells, of which 65, or 66 per cent have been completed.

* * *

Shareholders in LDH Group, the distributor of furnishing and upholstery fabrics, drapery and hardware, can look forward to a dividend for the current year ending May 31 1985. This follows the capital reconstruction of last June when the shares were written down and nearly £500,000 utilised in reducing the deficiency on reserves.

Aggressive sales, marketing and general all round hard work have combined to push up the turnover from £2.34m to £2.87m in the first half ended November 30 1984. And the profit has risen from £90,929 to £123,700 subject to tax £55,000 (£40,000).

Turnover is continuing to increase but the company is being affected considerably by the fall in the value of sterling. However, the second half is expected to produce a surplus and, this being the case, the *directors will recommend a dividend.* For the year 1983-84 the company made a pre-tax profit of £123,000.

* * *

Townhill Security Group, a holding company with extensive interests in the property development field and door security, is coming to the over-the-counter market through licensed dealers Harvard Securities.

Harvard is offering 6.38m ordinary shares of 1p each at 23p per share to produce a market capitalisation of £3.32m.

The profit projection before tax for the year to October 31, 1985 is £450,000.

* * *

Invicta Gilt Income Fund is to pay a fourth interim dividend of 30p gross per share (same) in respect of the year ending February 1 1985, and Invicta Gilt Growth Fund is to pay a second interi mof 25p gross per share in respect of the same period.

BOARD MEETINGS

TODAY

Interims: Fashion and General Investment, Gold Fields of South Africa, Howard Shuttering, Industrial Finance and Investment, M. L. Holdings, REA, Reardon Smith, Unitech.

Finals: Bluemel Brothers, English and New York Trust, Rowland Gaunt, Newman Tonks.

FUTURE DATES

Interim:
Tottenham Hotspur .... Feb 6

Finals:
Burmatex .... Feb 19
Craton Lodge and Knight ...... Feb 11
First Scottish American Trust ... Feb 26
Fleming Mercantile Invest. Trust Mar 5
Investors Capital Trust .... Feb 12
Laing Properties .... Mar 19
Newmarket .... Feb 11

BIDS AND DEALS IN BRIEF

Cecil Gee is disposing of a freehold property in Cambridge for £3m to finance last October's purchase of seven shop properti purchase of seven shop properties for £2.8m.

* * *

The Galliford construction group has conditionally agreed to buy Chemical and Industrial Building Company (Northern) in exchange for the issue of 2.5m shares. In the year ended January 31 1984 CIB made a pre-tax profit of £384,775, and at that year end its net assets totalled £292,478.

The majority of CIB's activities are directly associated with maintenance and minor capital works and specialised acid resistant finishes. It provides a comprehensive service to chemical and heavy industries.

The agreement is conditional on the shares to be issued being admitted to the Official List, and the vendors obtaining certain tax clearances not directly affecting Galliford.

* * *

Catties (Holdings) has through its subsidiary, Rosebys, agreed with the receiver of Sherrys of Putney (Holdings) to buy the leases, fixtures and fittings, motor vehicles and stock in trade for £750,000, in cash.

Sherrys was a retailer of household textiles and soft furnishings from 25 branches, mainly in the home counties. *Turnover for the year to March 31 1984, was £5.2m.* Rosebys turnover for 1984 was £8.43m.

* * *

Widney has entered into conditional agreement to acquire Francis and Lewis from W. G. Francis and his family.

The consideration is £950,000, to be satisfied by the issue of 85,000 new ordinary shares in Widney and the balance in cash.

* * *

The extraordinary meeting of Norton Opax passed the resolutions to authorise the offer for Sir Joseph Causton and Sons.

Norton has received acceptances for 12.08m ordinary shares (approximately 68.4 per cent of Causton ordinary in issue, together with those that could be issued folowing the exercise of existing share options). Within this total, acceptances for £2.23m worth of Causton shares have been received in respect of the cash alternative.

Norton Opax therefore now owns or has acceptances for approximately 89.1 per cent Causton shares, and the offer has been declared unconditional.

* * *

Beazer had received acceptances, net of withdrawals from holders of 34,088 Bath and Portland Group ordinary (0.17 per cent) and from holders of 197,000 preference (39.4 per cent), by January 25.

Total acceptances including Kent's existing holding, amount to 4,534,088 Bath ordinary (22.1 per cent) and 197,000 Bath preference (39.4 per cent).

The offers have now lapsed.

* * *

FKI Electricals is paying £900,000 to acquire Metamec, a Norfolk-based clock maker which went into receivership late last year.

* * *

Key City Properties has received an approach which may result in a bid. Its shares are dealt in under Rule 163 (2).

* * *

Due to the closing down of the solder business at Mitcham, Surrey, the Cookson Group, through its wholly-owned subsidiary, Frys Metals, has agreed to acquire certain of the assets of that former former business. *The assets concerned are not* material in relation to the net assets of Cookson Group.

Public Works Loan Board rates

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
1	—	—	11¾	—	—	12¼
Over 1, up to 2 ...	11¾	11⅝	11¾	12¼	12¼	12⅜
Over 2, up to 3 ...	11⅝	11⅝	11½	12⅜	12¼	12¼
Over 3, up to 4 ...	11¼	11¼	11¾	12¼	12⅜	12¼
Over 4, up to 5 ...	11¼	11¼	11¼	12¼	12¼	12¼
Over 5, up to 6 ...	11½	11¾	11½	12¼	12¼	12⅜
Over 6, up to 7 ...	11⅝	11¾	12	12¼	12¼	12¼
Over 7, up to 8 ...	11¾	11¾	12	12¼	12¼	12¼
Over 8, up to 9 ...	11¾	11¾	11⅞	12¼	12¼	12⅛
Over 9, up to 10...	11⅞	11¾	11⅞	12¼	12⅛	12¼
Over 10, up to 15	12	11¾	11⅞	12¼	12⅛	11⅞
Over 15, up to 25	11½	11¼	11½	12	11⅞	11⅝
Over 25	11¼	11	11	11¼	11½	11½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	14 %	■ Hill Samuel	§14 %
Allied Irish Bank	14 %	C. Hoare & Co.	†14 %
Henry Ansbacher	14 %	Hong Kong & Shanghai	14 %
Amro Bank	14 %	Johnson Matthey Bkrs.	14 %
Armco Trust Ltd.	14½%	Knowsley & Co. Ltd.	14½%
Associates Cap. Corp.	14 %	Lloyds Bank	14 %
Banco de Bilbao	14 %	Edward Manson & Co.	15 %
Bank Hapoalim	14 %	Meghraj & Sons Ltd.	14 %
BCCI	14 %	Midland Bank	14 %
Bank of Ireland	14 %	■ Morgan Grenfell	14 %
Bank of Cyprus	14 %	Mount Credit Corp. Ltd	14 %
Bank of India	14 %	National Bk. of Kuwait	14 %
Bank of Scotland	14 %	National Girobank	14 %
Banque Belge Ltd.	14 %	National Westminster	14 %
Barclays Bank	14 %	Norwich Gen. Tst.	14 %
Beneficial Trust Ltd.	15 %	People's Tst & Sv. Ltd	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Perm'nt Trust	14 %	Roxburghe Guarantee	14½%
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	13 %	Royal Trust Co. Canada	14 %
■ Charterhouse Japhet	14 %	■ J. Henry Schroder Wagg	14 %
Choulartons**		Standard Chartered	‖14 %
Citibank NA	14 %	Trade Dev. Bank	¶14
Citibank Savings	12½%	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14½%	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	14 %
Consolidated Credits	14 %	Westpac Banking Corp	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½%
The Cyprus Popular Bk.	14 %	Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14½%		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75% £10,000 12 months 12.00%
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
§ Demand deposits 11%.
**See Provincial Trust Ltd.

UK COMPANIES

J. Dyson profit growth midterm

FIRST HALF to September 30 1984 figures from J. & J. Dyson show progress has been made, with profit up from £82,000 to £159,000 on a turnover of £19.22m, against £19.43m. The interim dividend is again 2p net.

There has been further rationalisation of production facilities in the refractories division. It has been an expensive, yet inevitable procedure, but the company now has a division contribution to profitability," the directors state.

Revenues from the working of the Scottish minerals has been affected by the miners' strike. "Fortunately, this only delays contribution, it does not eliminate it."

In the general division the companies continue to operate profitably with the exception of Sandygate Motor Services, which is experiencing extremely poor trading conditions. Its loss is small, but is being carefully monitored and early return to profitability is expected.

As an extraordinary item there is the £474,000 profit on the disposal of shares in H. Newbury & Son (Builders) to Bovis Homes, less £350,000 attributable to closure costs. Earnings for the half year are 1.15p (0.59p) per share.

As regards the outlook for 1985-86, the directors say that this appears to be better than for some time, given a reasonable economic climate. For the whole of last year the group made a profit of nearly £1m and paid a total dividend of 4p.

Mr Jack Laming is to retire from the board on March 31.

Wiggins cuts its losses

DESPITE INTEREST charges increasing from £504,000 to £725,000, pre-tax losses at Wiggins Group were reduced from £162,000 to £101,000 in the six months to September 30, 1984. No dividend is expected to be declared in respect of the year to March 31, 1985—last year there was a sinble interim paymet of 1.25p.

Turnover of this holding company—it is a contractor and developer of estates—improved from £28.89m to £32.15m, and operating profits came out at £624,000 compared with £992,000. This was after administration expenses of £2.81m (£2.12m). There was an exceptional debit of £650,000 last time.

The directors say the house-building and motor divisions have traded profitably in the first half, although margins are under pressure. They say that these operations will contribute positively in the second half.

As anticipated in last year's report, some commercial properties have been sold to reduce borrowings. The proceeds of these first-half sales were in excess of book values, but funding costs adversely affected results for the first half.

Results of the property division for the full year will also be dependent on the timing of transactions now under negotiation. Nevertheless, the group wil lcontinue to attract a heavy charge for interest at current rates.

In contracting, Wiggins Construct (Eastern) has maintained turnover and profitability and its order book is encouraging. Overall, however, public expenditure cuts and fierce price competition have affected the division's operations, so that further re-organisation is being implemented to stem losses while margins remain insufficient to cover overheads.

Orchard raising £1.3m

Orchard Food Holdings, a privately-owned frozen and chilled food retail chain, is raising £1.3m from City institutions.

Lloyds Bank International has pre-placed 22.5 per cent of the equity of the company, which is planning a stock market flotation within two years.

The fund-raising follows the appointment as chief executive of Mr Brian Baylis, former chief executive of Cordon Bleu, the freezer centre chain owned by Argyll Group.

The company, which is based in Chelmsford and runs a chain of 37 shops in South-east England, in 1984 made pre-tax profits of £500,000 on turnover of £15m.

Orchard is controlled by co-founders Mr Michael Carr, the chairman, and his brother Mr Paul Carr, managing director, who together hold 60 per cent of the equity.

MINING NEWS

Inco back to profit in final quarter

CANADA'S Inco, the major nickel producer, has returned to profitability in the fourth quarter of 1984 after 13 consecutive quarterly losses. Net earnings for the period amount to U.S.$4.5m (£4m) which equals a loss of 2 cents per common share after allowance is made for preferred dividends.

The latest profit compares with a loss of $31.6m in the previous three months and a loss of $54.6m in the same period of 1983. It reduces the total loss for 1984 to $77.3m, or $1.02 per share, which compares with the 1983 total loss of $234.9m.

Inco points out that the 1984 fourth quarter results had the benefit of pre-tax gains of $10m from the retirement of long-term debt and the sale of Canadian and U.S. oil and gas properties. The major factor in the past year's improvement, however, has been the significant reduction in metal production costs.

The company's average price received for primary nickel in the fourth quarter of 1984 was $2.37 per pound compared with $2.38 in the same period of 1983. Nickel sales in the latest quarter amounted to 98m lbs against 89m lbs, bringing the year's total to 356m lbs against 314m lbs in 1983.

Inco's production of nickel last year rose from 283m lbs to 359m lbs, while end-year stocks totalled 88m lbs against 83m lbs at end-1983.

Because of a shutdown at the Ontario division, Inco had less copper, precious metals and cobalt available for delivery to customers last year. Even so, sales of these products increased sharply, albeit at lower prices than in 1983.

Worsley alumina extension

A big gold mine is to be developed at Boddington, in Western Australia, as an extension of the Worsley alumina project, the state government said yesterday, writes George Milling-Stanley.

The mine, which was found almost by accident during exploration work for bauxite, is to cost A$80m (£58m), and with annual output of up to 165,000 oz once full production starts in early 1987, it will rank among the largest in Australia.

The partners in the Worsley joint venture are Broken Hill Proprietary, Shell Company of Australia, Reynolds Australia Alumina and Kobe Alumina Associates.

Alcoa downturn depresses Western Mining by 24%

BY KENNETH MARSTON, MINING EDITOR

REDUCED EARNINGS from the 30.5 per cent stake in the aluminium-producing Alcoa of Australia have been a major factor in a 23.8 per cent drop in half-year net profits of Western Mining Corporation.

The major Australian mining house reports a net profit for the 28 weeks to January 1 this year of A$13.79m (£9.94m), compared with A$18.09m in the same period of the previous year. The total for the 52 weeks to last June was A$30.1m.

Earnings for the latest half-year equal 4.4 cents per share and the interim dividend is being held at 2 cents. Last time there was a final also of 2 cents.

Reflecting the reduced contribution from Alcoa, the share of operating profits, after tax, from associated companies dropped from A$13.51m to A$7.12m. Exploration write-offs increased from A$8.7m to A$19.5m in line with increased spending on petroleum exploration and amortisation of the Mesa purchase.

The fall in the value of the Australian dollar against the U.S. dollar resulted in amortisation of exchange losses on overseas borrowings rising from A$4.86m to A$8.26m. However, the borrowings were reduced and the net interest payable fell from A$20.69m to A$16.93m.

The strength of the U.S. dollar boosted revenue from nickel sales by 10.6 per cent and limited the fall in the Australian gold price realised during the period to 10 per cent.

At the same time, Western Mining lifted its gold sales from 83,294 oz to 105,793 oz while those of the 50.5 per cent-owned Central Norseman were higher at 58,435 oz against 31,244 oz. The increase in gold mining operations was the major factor in the higher depreciation charge of A$33.64m against A$26.85m.

Central Norseman's net profit for the half-year has climbed from A$2.31m to A$7.2m and the interim dividend is doubled to 15 cents out of earnings of 27.7 cents per share. The previous year's final was 12.5 cents.

• comment

After falling 10p to 226p in London yesterday, Western Mining shares were still yielding only a little more than one per cent, which seems to imply a good deal of faith in the company's longer-term prospects. Certainly the rating seems scarcely justified by the immediate trading outlook. The benefits of higher gold production and improved nickel prices are still being outweighed by difficult conditions in the aluminium market while the company itself foresees no short-term recovery in aluminium and is not prepared to make a forecast for the current half-year.

Ministry move puts block back on Benguet's exports

THE EXPORT of concentrates from Benguet Corporation, one of the largest producers of copper and gold in the Philippines, has been stopped again just a week after the supreme court ruled in the company's favour in its long-running dispute with the Ministry of Trade and Industry.

The Solicitor-General has filed a motion of reconsideration of the court's decision, which means that the ruling is set aside for the time being.

The Ministry has been denying export clearance for some of Benguet's shipments pending the completion of metallurgical tests on concentrates supplied by the company to the semi-state-owned Philippine Associated Smelting and Refining (Pasar).

All the other leading producers of copper concentrates in the country have signed contracts to deliver a proportion of their output to Pasar. Only Benguet has refused, claiming that it has *contractual commitments to* Japanese and other foreign smelters, and that Pasar cannot treat its concentrates because of their high mercury content.

Under protest, Benguet sent a small sample of concentrates to Pasar, and sued the Ministry when that body refused to allow further exports until the tests had been completed.

Mixed results from Vogels and New Wits

Contrasting results come from tw oof the smaller South African investment companies in the Consolidated Gold Fields group, Volgelstruisbult, which derives its revenue from base metals, and New Wits which is basically a gold mining investment company.

Despite low metal prices Vogels' investment income has been maintained in 1984 but the company has had to write down its investment in O'okiep Copper to R3.83m (£1.71m) from R9.98m following the restructuring of the north-western Cape mining operation's debt.

This has resulted in Vogels making a loss for the year of R201,000 compared with a net profit of R4.6m in 1983. The company has drawn upon its general reserve, however, to maintain the dividend total at 18 cents with a final of 11 cents.

New Wits, on the other hand, has increased its net profit for the first half of the current year to June 30 by R1m to R6m. The interim dividend is raised by 4 cents to 22 cents out of earnings of 52 cents per share. Net assets equal 1,523 cents (680p) per share. The latter were 391p yesterday.

MINING NEWS IN BRIEF

Australia's Mineil proposes to make a capital reconstruction. This will rollow a rights issue of one new share at 20 cents (about 14p) plus one option at one cent for every 10 shares and options held. The options will carry the right to subscribe for a share at 25 cents up to March 1990.

* * *

Diamond output in 1984 at the Western Australian Argyle venture, controlled by CRA, was above planed output but reflected the decline in overall ore grade at the alluvial deposits being worked. Total diamond recovery for the year amounted to 5,689,546 carats against 6,200,227 carats in 1983.

This depletion of the higher grade material will also affect output for 1985. Next year, however, should see the start of the major operation at the big AK-1 pipe which will have an anual output capacity of 25m carats and a minimum mining life of 20 years.

* * *

The Tasmanian Government and the state's Hydro Electric Commission have put forward a A$10m (£7.2m) plan to stave off the closure of the Renison Goldfields Consolidated loss-making Mount Lyell copper mine.

APPOINTMENTS

Managing director for Baker Perkins

Mr Mike Smith will become managing director of BAKER PERKINS HOLDINGS on April 1. He succeeds Mr John Peake, who is currently chairman and managing director and will continue as chairman. Since 1980 Mr Smith has been chairman and managing director of Baker Perkins Limited, the largest subsidiary in the group. He has been a member of the Baker Perkins Holdings' board since 1978.

★

NOLTON has appointed Mr Stuart Vidler managing director of its property division. He was formerly development director *with the Deacon Group.*

★

Mr Derek Robson has been appointed a director (finance) of KIMPTON BROTHERS, food and chemical trading division of Croda International.

★

THE HOLLINGSWORTH GROUP has made the following management changes: Mr E. G. Smalley is appointed chairman of the Hollingsworth Group board. He is appointed chairman, Platt Saco Lowell (UK) but relinquishes his appointment as managing director. He will continue as chairman and managing director, Hollingsworth (UK). Mr J Eke is appointed managing director, Platt Saco Lowell (UK). He remains managing director, Hollingsworth Service Company.

★

Mr John K. Hepburn has been appointed a managing director of MORGAN STANLEY INC., New York based international investment banking company. He will be responsible for investment banking activities in the Nordic area He joined the London office in 1978 and was promoted to vice president in 1980 and to principal in 1982.

★

Mr J. W. Davies has relinquished his appointment as deputy chairman of DAVIES & NEWMAN HOLDINGS. Mr David P. Herbert has been appointed in his place. Mr Herbert has also been appointed a director of Dan-Air Services. Mr Davies will continue to serve as a director of Davies & Newman Holdings.

★

Col Philip Howes is joining ITM (OFFSHORE) to head the Flexiport sales division with particular responsibility for defence and civil applications. Formerly, he was on the general staff at MoD, seconded from the Royal Artillery.

★

Mr Paddy Campbell has been appointed commercial director (designate) and company secretary of SPOTTISWOODE BALANTYNE PRINTERS.

★

Mr Roy Childs has been appointed a director of the major corporate division in JARDINE GLANVILL (UK). Formerly with the American International Group in Bermuda and London, Mr Childs' main responsibilties will be the development of major accounts, captive and global programmes including risk management activities.

★

Sir William Atkins has relinquished his role as chairman of WS ATKINS GROUP, parent company of the Atkins Group, and has accepted an invitation to become honorary president. He is succeeded as chairman of WS Atkins Group by Mr Frank Micklethwaite, presently chairman of WT Atkins Group Consultants, who remains on the board of WS Atkins Group Consultants as a non-executive director. Mr Alan Parish moves from his position as chief executive of WS Atkins Group Consultants to become full-time deputy chairman of that company.

Until such time as a new part-time, non-executive chairman is appointed, Mr Parish will act in that role. Mr Michael Muller, a director of WS Atkins Group Consultants, becomes managing director, fulfilling the role previously carried out by Mr Parish.

★

Mr P. J. F. Croset has been appointed a non-executive director of HEPWORTH CERAMIC HOLDINGS. He joined the board of Readicut International in 1968 and was chairman from 1977 until 1984 and latterly deputy chairman.

★

Mr J. B. Haggas has been appointed a non-executive director of MAGNET & SOUTHERNS. He is chairman of John Haggas, worsted Spinners of Keighley and vice-oresident of Skipton Building Society.

WRIGHT MACHINERY CO has appointed Mr David J. Treadwell its managing director. He was managing director of Driver Southall.

★

MICHAEL J. MARCHANT UNDERWRITING AGENCY has appointed Mr Alan G. Lloyd and Mr Geoffrey D. Wilding as directors.

★

Mr H. Leslie Cousins, a partner in Price Waterhouse, has been appointed a member of the advisory board to the PROPERTY SERVICES AGENCY.

★

COMSHARE has appointed Mr Phil Jordan as European sales director.

★

Mr David Slobom has been appointed finance director of the WIGGINS TEAPE GROUP. He has been finance director of B.A.T. Stores since 1980. He joins Wiggins Teape in succession to Mr G. G. Moore, who will stay until the end of April.

★

The BRITISH LONGWALL MINING ASSOCIATION has appointed Mr Harold Rhodes as director-general, succeeding the late Mr Alex Burton. This will be in addition to Mr Rhodes' role as director-general of ABMEC.

★

Mr Hugh Jenkins has been appointedl deputy general manager at BRITISH RAIL's London Midland Region, succeeding Mr David Rayner who is moving to Eastern Region as deputy general manager.

★

Mr Malcolm R. Douglas has bee nappointed financial director of MTL MICROTESTING and its subsidiary MTL Mocrotech Semiconductors. Control of MTL has recently been acquired by Cambridge Electronic Industries.

★

Mr D. R. Losse and Mr M. Simmonds, directors of Greig Fester, are appointed directors of the holding company, GREIG FESTER GROUP. Mr M. F. Boella, Mr P. C. Cave, Mr G. A. Clarkson, Mr J. Hardie, Mr W. S. Hill and Mr G. C. Sweet are appointed directors of Greig Fester.

★

Mr T. H. Wilding, chairman and chief executive of Bowaters United Kingdom Paper Co, has ben appointed to the board of BOWATER-SCOTT CORPORATION.

★

Sir James Cleminson, president of the Confederation of British Industry, has been appointed chairman of the CBI EDUCATION FOUNDATION. He succeeds Sir Donald Barron.

★

Mr Richard G. Lovell has been appointed sales and marketing director of SPD GROUP, while remaining sales and marketing director of British Road Services. Both are part o f the National Freight Consortium, which acquired SPD Group on January 2.

★

To devote more time to new developments within THORN *EMI RETAIL, Mr David Johnson,* managing director of the division, will relinquish his responsibilities as chief executive of Rumbelows to Mr Ian Gray who is currently managing director of HMV Shops. The position of managing director of HMV Shops will be taken by Mr Ian Duffell, currently the company's commercial director. Both appointments are from the end of March.

★

Mr W. Berry Templeton is appointed a director of GATEWAY BUILDING SOCIETY.

★

Mr Michael Ingall has been appointed managing director of CFS (INVESTMENT MANAGEMENT), a new subsidiary of Comprehensive Financial Services.

★

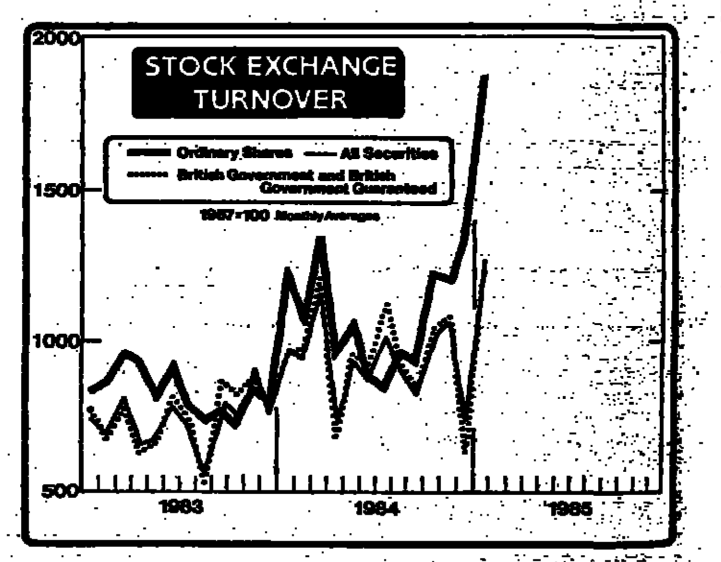
Mr Gordon Howe, a senior partner in the London office of ARTHUR YOUNG, has been appointed executive chairman in Europe, based in London. Mr Ulf Spang, a partner in Arthur Young, Sweden, will join Mr Howe in London as the full time executive partner.

STOCK EXCHANGE BUSINESS IN JANUARY

Sudden rise in interest rates causes record turnover levels

BY GRAHAM DELLER

THE SUDDEN change in direction of interest rates—hoisted to their highest level for three years to protect the pound—prompted unprecedented gyrations in both domestic equities and gilt-edged securities in January and caused Stock Exchange turnover to rise to record levels.



There were 23 trading days during the month—four more than in December. Turnover in all securities soared 69.9 per cent, or £16.9bn, to £41.08bn, while the number of bargains struck rose 100,346 to 690,560. The average value per equity bargain was up by £3,200 to £17,900. The Financial Times turnover index for all securities attained a record of 1,258.9, compared with December's measure of 740.8 and the previous high of 1,160.7 set last March.

Equities, still enjoying the aftermath of the highly-successful British Telecom flotation, at first proved resilient to dearer money trends and oil price worries. The FT Ordinary share index broke through 1,000, closing at an all-time high of 1,024.5 on January 22.

However, investment confidence was jolted by the apparent impasse at the Organisation of Petroleum Exporting Countries meeting in Geneva which put renewed pressure on sterling and consequently led the clearing banks to raise their base lending rates to 14 per cent, the third rise during the month.

This effectively demoralised stock markets and at one stage on January 28, the FT 30 share index showed a drop of more than 44 points—the largest fall in points terms on record.

Sentiment improved somewhat as the Opec ministers finally reached a tentative agreement and the index closed the month a net 33.8 points higher at 986.1.

Business in ordinary shares rose 37.5 per cent. or £2.85bn, to £10.45bn. The Financial Times turnover index for ordinary shares rose to 1,864.0 from December's previous record level of 1,355.5.

Gilt-edged stocks, initially firm following December's better-than-expected money supply figures, took a tumble as the Chancellor reintroduced, albeit temporarily, the Minimum Lending Rate. Subsequently, worries about the Public Sector Borrowing Requirement, not helped by the publication of the White Paper on expenditure, and sterling's dismal performance against the U.S. dollar resulted in substantial selling.

Trading in gilts was suspended on January 28 for a short period following news of another base-rate hike: on the resumption of dealings, quotations showed falls extending to £4 and the FT Government Securities index dipped to 78.02. Prices steadied later as sterling stabilised and the index finished the month only 1.62 points lower on balance at 80.09.

Business in short-dated stocks rose 57.4 per cent, or £5.12bn, to £14.03bn, while trade in longer-dated maturities and irredeemables expanded by a massive 138.7 per cent, or £8.51bn, to £14.64bn. The Financial Times turnover index for Government Securities rose to an all-time high of 1,213.6 against December's 636.8. The previous record of 1,207.4 was set in August 1982.

Category	Value £m	% of total	Number of bargains	% of total	Average daily value £m	Average bargain value £000s	Average no. of daily bargains
BRITISH FUNDS							
Short dated (5 years or less to run)	14,033.5	34.2	29,912	4.3	610.2	469.2	1,301
Others (over 5 years)	14,639.5	35.6	44,267	6.4	636.5	330.7	1,925
IRISH FUNDS							
Short dated (5 years or or less to run)	456.1	1.6	1,347	0.2	28.6	487.5	59
Others (over 5 years)	625.7	1.5	1,985	0.3	27.2	315.2	86
UK LOCAL AUTHORITY	239.1	0.6	2,838	0.4	10.4	84.2	123
OVERSEAS GOVERNMENT	148.0	0.4	1,999	0.3	6.4	74.0	87
OTHER FIXED INTEREST	290.8	0.7	25,433	3.7	12.6	11.4	1,106
ORDINARY SHARES	10,446.0	25.4	582,779	84.4	454.2	17.9	25,338
TOTAL	41,079.3	100.0	690,560	100.0	1,786.1*	59.5*	30,025

* Average of all securities.

Cocoa prices at seven-year high, Page 36

FINANCIAL TIMES

Tuesday February 5 1985

WALL STREET

Confidence remains at high level

CONFIDENCE remained high on Wall Street yesterday as investors awaited the Senate reaction to President Ronald Reagan's budget proposals, *writes Terry Byland in New York.*

The stock market paid little heed to suggestions that the Federal Reserve may have tightened monetary policies last week. After moving erratically in the first two hours, as profits were taken, leading stocks moved up again at midsession.

IBM and the other technology stocks again led the industrial sector forward. Renewed buying of airline issues boosted the Dow transportation average.

By 2pm, the Dow Jones industrial average was up 8.61 at 1,286.33.

The bond market was overshadowed by the start today of the Treasury's record $19bn quarterly refinancing programme. Treasury securities eased in sluggish trading, while municipal issues, also facing a heavy input of new issues this week, turned down smartly.

Traders were braced for a pause in the stock market after its remarkable advance, which was checked only on Friday when losses outnumbered gains, for the first time for 19 days. The Dow average was 6 points down initially, yesterday but strengthened later.

Once again, IBM gave a good lead, reversing an initial loss to forge ahead $2 to an all-time high of $137⅞. Texas Instruments at $129 added $⅝, and Data General jumped $1 to $71.

AT&T continued to top the active list as investors responded favourably to the group's moves into the computer and other high-technology areas. At $20⅞, AT&T gained $⅛.

Merrill Lynch had another busy session, gaining $⅛ to $33⅝. The upsurge in stock market trading benefits Merrill which has the largest retail business among the market firms.

Car issues looked subdued after predictions of flat profits in the final quarter of 1984. General Motors managed a $⅛ gain at $82⅞. In airlines, Delta was a firm spot at $42⅞, a net $⅛ up.

But Eastern Air Lines, in technical default on much of its $2.5bn long-term debt after failing to reach agreement with its three major unions, eased $⅛ to $4⅞. The airline default is considered unlikely to bring any drastic action from its creditors, and further negotiations with the unions are expected.

In a firm oil sector, it was the speculative situations which stood out again. Unocal, tipped by the market as the next target for Mr T. Boone Pickens, jumped a further $1⅞ to $42⅛ in heavy trading. Schlumberger, the oil services group, was unchanged at $40⅞ but was again prominent in the active list.

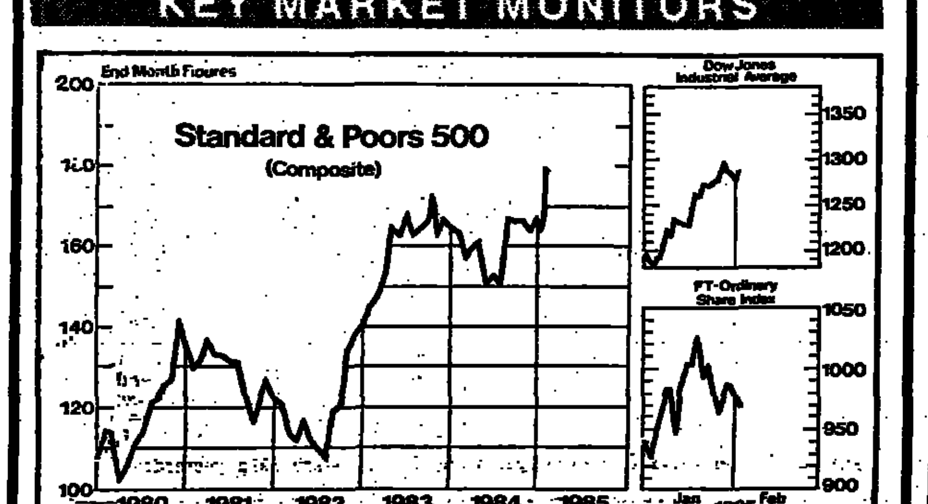
Among financial issues, stock in Sallie Mae, the federal students loan association, was $1⅞ down at $29⅞. The quasi-federal body could suffer reduced business if President Reagan's proposed cuts in education spending become law.

Selling of Taft Broadcasting took the stock down $3⅞ to $54⅞ after the announcement that it was buying the broadcasting properties of Gulf Broadcast. Gulf dipped $⅞ to $14⅞.

The bond market was hardly changed at midsession. The key long bond traded at 113 with the when-issued market showing higher yields on the securities to be auctioned this week. Bill rates strengthened but federal funds shaded easier at 8⅝ per cent.

Views on Federal Reserve policies were mixed. Some analysts pointed out that the Fed had made system repurchases on Friday when the federal funds rate approached 9 per cent. On balance, Friday's shakeout in bonds will help the passage of this week's three auctions of Treasury securities – $7.25bn in three-year notes today, $6bn in 10-year notes tomorrow and $5.5bn in 30-year bonds on Thursday.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Feb 4	Previous	Year ago
DJ Industrials	1,286.33*	1,277.12	1,197.03
DJ Transport	614.59*	609.94	535.37
DJ Utilities	149.57*	148.64	131.89
S&P Composite	179.80*	178.63	160.91
LONDON			
FT Ord	968.3	977.5	815.5
FT-SE 100	1,268.2	1,272.6	1,059.8
FT-A All-share	609.95	612.75	492.68
FT-A 500	666.75	669.52	525.98
FT Gold mines	473.3	482.0	579.2
FT-A Long gilt	10.91	10.82	10.09
TOKYO			
Nikkei-Dow	11,891.08	11,946.96	10,134.1
Tokyo SE	920.50	928.01	775.85
AUSTRALIA			
All Ord.	766.8	772.7	776.8
Metals & Mins.	438.1	445.0	547.2
AUSTRIA			
Credit Aktien	61.33	60.40	55.48
BELGIUM			
Belgian SE	2,148.97	2,114.28	–
CANADA			
Toronto			
Metals & Minls	2,158.5*	2,159.2	2,298.0
Composite	2,581.7*	2,575.4	2,455.6
Montreal			
Portfolio	130.56*	130.14	120.41
DENMARK			
Copenhagen SE	173.50	172.30	222.47
FRANCE			
CAC Gen	195.1	195.7	168.1
Ind. Tendance	106.1	106.6	90.4
WEST GERMANY			
FAZ-Aktien	390.39	397.09	370.28
Commerzbank	1,139.2	1,156.6	1,094.5
HONG KONG			
Hang Seng	1,363.22	1,356.26	1,108.54
ITALY			
Banca Comm.	264.17	264.69	229.14
NETHERLANDS			
ANP-CBS Gen	195.2	197.0	174.6
ANP-CBS Ind	154.6	156.6	144.1
NORWAY			
Oslo SE	326.39	329.28	242.67
SINGAPORE			
Straits Times	828.19	831.25	1,071.01
SOUTH AFRICA			
Golds	n/a	918.3	889.8
Industrials	n/a	873.1	973.0
SPAIN			
Madrid SE	117.41	116.28	77.2
SWEDEN			
J & P	1,471.98	1,461.56	1,594.5
SWITZERLAND			
Swiss Bank Ind	408.8	413.1	376.4
WORLD	Feb 1	Prev	Year ago
Capital Int'l	195.9	197.1	184.9

GOLD (per ounce)

	Feb 4	Prev
London	$301.75	$303.25
Zürich	$301.10	$303.75
Paris (fixing)	$300.67	$302.85
Luxembourg	$301.10	$304.80
New York (Feb)	$302.10	$303.20

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Feb 4	U.S. DOLLAR Previous	STERLING Feb 4	STERLING Previous
$	–	–	1.114	1.1245
DM	3.2115	3.1785	3.5825	3.57
Yen	259.35	256.7	289.0	288.75
FFr	9.8125	9.71	10.935	10.91
SwFr	2.738	2.7035	3.0525	3.04
Guilder	3.634	3.592	4.05	4.0425
Lira	1,971.5	1,957.0	2,196.5	2,199.0
BFr	64.25	63.6	71.54	71.5
C$	1.33325	1.328	1.486	1.493

INTEREST RATES

Euro-currencies (3-month offered rate)	Feb 4	Prev
£	13⅝	12⅞
SwFr	5¹¹⁄₁₆	5½
DM	6⁵⁄₁₆	6⁵⁄₁₆
FFr	11⅛	10¹⁵⁄₁₆
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅛	9
6-month U.S.$	9⁵⁄₁₆	9⁵⁄₁₆
U.S. Fed Funds	8⁵⁄₁₆*	8⁵⁄₁₆
U.S. 3-month CDs	8.60*	8.55
U.S. 3-month T-bills	8.19*	8.18

U.S BONDS

Treasury	Feb 4* Price	Feb 4* Yield	Prev Price	Prev Yield
9⅝ 1987	99¹⁴⁄₃₂	10.0	99¹⁴⁄₃₂	10.0
11⅝ 1992	101²⁹⁄₃₂	11.22	102 ⁴⁄₃₂	11.17
11⅝ 1994	101²⁴⁄₃₂	11.32	102	11.27
11¾ 2014	103¹⁶⁄₃₂	11.32	103²⁶⁄₃₂	11.30
Corporate	Feb 4*		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	98⅛	11.15	98⅛	11.15
3⅞ July 1990	77¼	9.35	77¼	9.35
8⅝ May 2000	78⅝	11.75	78⅝	11.75
Xerox				
10⅞ March 1993	96⅜	11.25	96⅜	11.25
Diamond Shamrock				
10⅜ May 1993	95⅝	11.55	95⅝	11.55
Federated Dept Stores				
10⅜ May 2013	89⅜	11.90	89⅜	11.90
Abbot Lab				
11.80 Feb 2013	99⅛	11.90	99⅛	11.90
Alcoa				
12¼ Dec 2012	99½	12.30	99½	12.30

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	72–18	72–19	72-01	72–14
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.77	91.78	91.67	91.73
Certificates of Deposit (IMM) $1m points of 100%				
March	91.16	91.16	91.03	91.10
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.84	90.85	90.72	90.86
20-year Notional Gilt £50,000 32nds of 100%				
March	102–30	103–00	102–16	103–08

COMMODITIES

(London)	Feb 4	Prev
Silver (spot fixing)	549.25p	558.8p
Copper (cash)	£1,253.50	£1,244.50
Coffee (Mar)	£2,389.50	£2,379.00
Oil (spot Arabian Light)	n/a	$27.80

TOKYO

Rush toward sidelines as yen plunges

THE YEN'S plunge came as a big disappointment to investors in Tokyo yesterday, and share prices lost most of their early gains towards the close, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average closed the day at 11,891.08, a rise of 1.52 points. Volume declined from last Friday's 648m shares to 333m, and declines outnumbered advances by 365 to 301, with 162 issues unchanged.

After two days of severe setbacks, the market made a good start, with selective buying centring on biotechnology-related and incentive-backed issues.

But investors hurried to the sidelines as the yen lost ground to the U.S. dollar, reaching a 26-month low of Y259.10 in Tokyo yesterday.

Investors were also concerned that President Ronald Reagan, in his budget message, would not take any drastic measures to hold down expenditure in order to trim huge U.S. budget deficits.

Mitsubishi Chemical, actively traded last week, shed Y14 to Y419, though the issue topped the most active stock list with 19.58m shares.

Dowa Mining, the second busiest stock with 18.77m shares changing hands, closed Y2 higher at Y702 after gaining Y35 at one stage. Investor interest in the issue was bolstered by rising demand for metal powders for compact discs (CDs).

Yamanouchi Pharmaceutical, the third most active stock with 14.59m shares traded, jumped Y300 to Y4,300, spurred by the development of an anti-cancer drug.

Brisk demand for materials for aluminium magnetic disk stirred interest in Sumitomo Light Metal, lifting the issue Y17 to Y350.

Keihin Electric Express Railway advanced Y14 to Y330 on foreign buying, while Mitsubishi Steel scored a rise of Y25 to Y295 on reports that foreign investors were continuing to buy the issue. Nippon Gakki jumped Y80 to Y2,130.

Yuken Kogyo added Y80 to Y502, with foreign investors placing buy orders for 600,000 shares in early trading. Maruko also gained Y60 to Y875 on suggestions that speculators were buying into the issue.

Bond prices dropped in slow trading. Smaller brokerage houses discouraged by the yen's slide, moved toward selling, while institutional investors kept to the sidelines.

The yield on the benchmark 7.3 per cent long-term government bonds, maturing in December 1993, rose to 6.635 per cent from last Saturday's 6.575 per cent.

HONG KONG

A LATE appearance by bargain-hunters boosted shares in Hong Kong. The Hang Seng index fell by nearly 13 points at midday, but by the close it had recovered to 1,363.22, up 6.96.

Turnover at HK$220.67m was sharply down from Friday's peak of HK$3.31bn. This record was mainly the result of the completion of the deal by which Hongkong Land, 8 cents up to HK$4.45, sold its 34.6 per cent stake in Hongkong Electric to Hutchison Whampoa.

Hutchison rose 20 cents to HK$20, and Cheung Kong, which has a large stake in Hutchison, was unchanged at HK$13.50. Hongkong Electric was also steady at HK$7.85.

Stocks were helped by a government sale of five property sites which totalled about HK$110m, slightly above market expectations. Institutional investors, however, stayed on the sidelines, waiting for Wall Street to give the market new direction.

CANADA

Resources fuel run to peaks

THE TORONTO Stock Exchange (TSE) is the latest of the world's leading bourses to bound to new highs, *writes Bernard Simon in Toronto.*

Within weeks of many analysts forecasting an unexciting year for Canadian investors in 1985, the TSE 300 index was moving steeply upward, gaining 8.1 per cent during January to a peak of 2,604 on the last day of the month.

The value of shares traded in January – just over C$4bn ($3.01bn) was also the highest ever, while volume was 36 per cent up on a year ago. A similar burst of activity has enlivened the Montreal exchange, with last month's trading volumes more than 40 per cent above the previous peak in December 1983. Montreal's share of combined trading values rose to more than 21 per cent last month, compared with 19 per cent in January 1984.

The TSE index has slithered back in the last few days following a slight rise in Canadian short-term interest rates and growing fears that the new Conservative Government in Ottawa is backing away from firm action to cut the budget deficit.

The reversal has so far failed, however, to dampen now-widespread optimism on the market's prospects for the rest of this year.

Wood Gundy, the Toronto-based investment dealer, expects the TSE 300 to reach 2,800 before the end of 1985. Mr Robert Farquharson, vice-president of AGF Management, a leading Canadian mutual fund group, predicts a 20 per cent jump in share prices.

The Toronto stock market, like the Canadian economy as a whole, normally mirrors trends in the U.S. Many of the factors pushing Canadian share prices ahead are the same as those affecting Wall Street.

GOLD and base metal mining issues turned lower in Toronto yesterday while oil and gas shares displayed a measure of strength.

Early losses were often recouped, with Dome Petroleum 1 cent off at C$2.81, Daon 5 cents lower at C$3.05 and Alcan C$⅛ cheaper at C$39⅞. Cominco traded C$¼ higher to C$15, and Bell Canada slipped C$⅛ to C$36⅞.

Utilities were the weakest sector in Montreal as banks and industrials curtailed their losses.

They include lower interest rates, confidence that the North American economy (and thus corporate profits) will be stronger in 1985 than many feared a few months ago, low inflation and the consequent willingness of investors to accept higher price/earnings multiples.

Corporate profits are rising strongly, despite the supposed business slowdown in the fourth quarter of 1984. Maclean Hunter, a leading publishing group, lifted net earnings in the final three months of last year by 45 per cent compared with 1983. Northern Telecom, the telecommunications equipment manufacturer, recently reported a 69 per cent jump in fourth-quarter income.

The weakness of world oil prices has failed to dampen investor enthusiasm for Canadian oil stocks, which are among analysts' current TSE favourites. Imperial Oil, Exxon's Canadian subsidiary, lifted earnings 59 per cent in the final three months of 1984, and investment dealers *Loewen, Ondaatje, McCutcheon* forecast that the company's income will advance 25 per cent this year and another 40 per cent in 1986.

The price of Imperial Oil A shares has risen in the past year from a low of C$33 to a record of almost C$46.

Canadian oil and gas producers stand to benefit handsomely from changes in government energy policies expected later this year, including more flexible pricing and a lighter tax burden.

Mr Charles Winograd, research director at Richardson Greenshields of Winnipeg, says that energy shares such as Imperial Oil, Aberford Resources (in which the Belzberg family of Vancouver is a large shareholder) and Alberta Energy are blue chips "in disguise."

Other sectors that have caught investors' eyes on the TSE include motor manufacturers (share prices have soared by an average of 53 per cent since last July), property developers (up 44 per cent), trust and loan companies (42 per cent) and transport operators.

One key difference between the Toronto and New York markets is the heavier representation north of the border of resource companies, reflecting the role of mining, forestry and energy in the Canadian economy. The depressed earnings of some companies in these sectors have held back the overall advance of the Toronto market.

Share prices of gold and asbestos producers are, not surprisingly, still lower on average than they were in mid-1984. Denison Mines, whose interests include coal, uranium and oil and gas (mostly outside Canada), suffered a decline in income last year, to C$60.5m from C$100.3m in 1983.

Although investors are beginning to nibble at gold and base metal shares, Denison's share price was battered last week following reports of continuing problems at its new Quintette coal mine in British Columbia.

Institutional buying has so far been the mainspring of the TSE's recent advance, but banner headlines and bullish brokers' reports could tempt small investors if interest rates continue downward. Meanwhile, the exchange is pressing ahead with pioneering efforts to broaden market liquidity.

Last week, it agreed to set up a two-way electronic trading link with the Midwest Stock Exchange in Chicago. A similar link with the American exchange is due to come into operation this spring, giving Canadian investors access to U.S. markets where Canadian companies are traded in substantial volumes.

LONDON

Strength of dollar takes toll

EQUITIES and government stocks in London were hit by fears that the dollar's renewed strength would rule out an early cut in UK interest rates.

The FT Ordinary share index opened with a sharp fall of 18.3 points, but top-quality equities rallied to bring the index back to 968.3 at the close, a fall of 9.2.

Gilts were particularly uneasy, awaiting the announcement, later today, of the January money supply figures, and quotations closed at around the session's lowest.

Sterling and other main currencies weakened, and UK money markets rose as the dollar surged higher on stronger views that the Federal Reserve was unlikely to let U.S. rates fall any further. Revived concern over U.S. government overspending and the huge budget deficit brought further support of the U.S. currency.

Government securities followed the trend set by American bond prices. Minor rallies created by bargain-hunters were soon aborted, and longer-dated gilts showed falls of up to a full point. The shorts closed around ⅜ lower, while index-linked stocks suffered losses ranging to ⅜. The key three-month interbank rate rose from 12⅞ to 13⅜ per cent.

Blue-chip industrials rallied when it became apparent that the early markdown had been overdone. Pharmaceuticals were heavily involved in the initial weakness after a report that the Government was seeking to reduce profit margins on capital employed.

Chief price changes, Page 30; Details, Page 31; Share information service, Pages 32–33

AUSTRALIA

THE OIL and gas sector led a decline in Sydney which was reflected in a fall of 5.4 in the All Ordinaries index to 767.0 after what many brokers saw as a long-overdue correction to recent highs.

The decline was accompanied by a sharp drop in the number of shares traded, from 54.5m on Friday to 28.3m.

Shortly before midsession, however, the market staged a partial recovery when industrial issues received solid support.

Among those to register declines were BHP, which slipped 12 cents to A$5.12 and CSR, which eased 5 cents to 2.95.

A takeover approach lifted Lifesavers 40 cents to A$3.45. Raleigh Nutritional, a Nestlé subsidiary, has offered A$3.30 a share for the group.

Allied Mills shed 10 cents to A$3.15 after rising sharply on Friday ahead of news that it agreed in principle to form a joint company with Pillsbury.

SINGAPORE

PROFIT-TAKERS halted last week's rally in Singapore shares. Wall Street's decline on Friday cast some gloom over the market initially, but stocks recovered to close above their lowest levels.

The Straits Times industrial index, down 4 points at midday, pulled back to 828.57, down 2.68. Turnover showed a sharp fall from Friday's 24.8m shares to 14.3m.

Blue chips remained in the spotlight and closed generally softer while banks saw modest losses.

Many recently favoured stocks retreated. Genting declined 10 cents to S$5.40, Singapore Press fell 5 cents to S$6.55 and Rothmans 4 cents to S$3.20. Straits Trading, however, rose 8 cents to S$4.74 and Haw Par 4 cents to S$2.33.

In the property sector, Singapore Land gave up 6 cents to finish at S$3.24, and Selangor Properties declined 3 cents to S$2.18.

SOUTH AFRICA

GOLD STOCKS closed mixed in Johannesburg after a day of directionless trading. Mining houses and mining holding companies put on a similar performance to those on the gold board, while industrial shares showed little change from Friday's closing levels.

Higher-priced gold issues were generally easier. Southvaal lost 75 cents to R76, but Buffels edged up 50 cents to R67. Among second-rank gold shares Free State Geduld dropped 50 cents to R42.

Other mining shares were mainly steady, with De Beers slipping 5 cents to R9.10.

EUROPE

Rate fears leave strong after-taste

INTEREST RATE fears that curbed many European bourses last week continued to leave a strong after-taste in some centres yesterday.

Frankfurt investors were soured by rate worries, and the Commerzbank index took the brunt of early concern. Its mid-day calculation of 1,139.2 was 17.4 lower and reflected the falls of up to DM 5 in many shares.

Heaviest losses were sustained by some of the more recently buoyant stocks, indicating strong profit-taking. Among these, Allianz lost DM 34 to DM 1,020 while Nixdorf, a strong overseas favourite in recent weeks, fell DM 10 to DM 516.

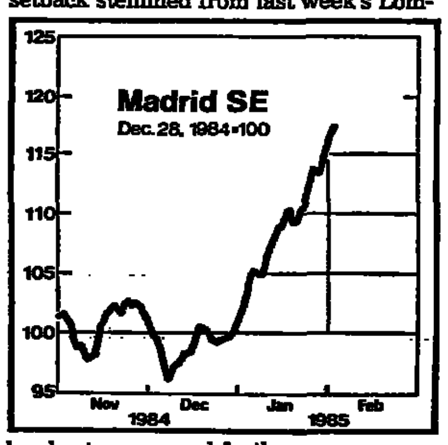
Among car makers that have been bought on the strength of the dollar and their high export exposure, Daimler slumped DM 19 to DM 616, and BMW fell DM 7 to DM 351, although VW limited its losses to DM 2.90 at DM 190.10.

The banking sector was unnerved by the interest rate concern triggered by last week's rise in the Lombard rate. The central bank's president Herr Karl Otto Pöhl warned that the rate rise should not be used by German banks as an excuse to raise their lending rates.

Deutsche Bank lost DM 6.50 to DM 392.50, Commerzbank fell DM 6.20 to DM 162.80 and Dresdner slipped DM 5.70 to DM 183.30.

Among chemical, electrical and steel sectors, Bayer retreated DM 3.50 to DM 185, Siemens dropped DM 5 to DM 508 and Hoechst was DM 3.50 cheaper at DM 101.

Bond prices collapsed with some issues losing up to 150 basis points. The setback stemmed from last week's Lombard rate move and further unease over the prospect of U.S. interest levels.



Estimates of Bundesbank purchases exceeded DM 100m, but the backlog of paperwork prevented a final, accurate calculation. The central bank bought DM 3.7m of public paper on Friday.

Share turnover for the bourse in January more than doubled to DM 5.62bn from the DM 2.67bn in December.

Bond turnover rose 28.7 per cent to DM 6.97bn.

The financial sector in **Amsterdam** was unsettled by local interest rate developments. ABN surrendered the gains made last Friday after its 1984 profits forecast, closing Fl 9 down at Fl 387. NMB was Fl 3 lower at Fl 173.50, and AmRo finished Fl 2.20 down at Fl 73.00.

Some sector leaders encountered only slight price movements, and several finished the day higher. Royal Dutch gained 70 cents to Fl 189.70, and Unilever rose 40 cents to Fl 334.90.

Heineken turned down Fl 1.40 to Fl 152.8, and photocopier group Oce van der Grinten slipped Fl 4 to Fl 294.50 after opening unchanged.

The bond market reeled under the spectre of higher short-term interest rates, and key issues showed falls averaging 50 to 80 basis points.

Profit-taking eroded recent gains in a sharply lower **Zurich**, with sentiment hit by the weakness of the franc against major currencies and Friday's Wall Street performance.

Chemicals, recent favourites, were hard hit. Ciba-Geigy dropped SwFr 40 to SwFr 2,760 and Sandoz SwFr 150 to SwFr 7,650. Nestlé was marked down SwFr 35 to SwFr 6,070 after its Australian corporate moves.

Bonds were weak over a broad front and were depressed by the same interest rate factors that affected other bond markets. A large volume of new issues also conspired to take prices lower.

Active trading took **Madrid** higher with a rally in the electrical sector, sparked by asset reshuffles at government-backed utilities, lending impetus.

Telefonica, the communications monopoly, rose 1 point to 135.7 per cent of nominal value, although banks were easier.

Banks and construction issues showed small gains in a narrowly mixed **Paris**. Export-sensitive stocks were weaker as Moët Hennessy dropped FFr 20 to FFr 1,955 and Perrier fell FFr 13 to FFr 467.

Blue chips dominated active **Stockholm** trading, with Volvo SKr 18 up at SKr 300 and Pharmacia SKr 5 ahead at SKr 225 receiving most of the attention after the car maker's equity purchase in the pharmaceutical group.

A broadly lower **Milan** did not prevent food processor IBP from soaring to L4,900 before closing at L4,565, a gain of L1,755 after the acquisition announcement by the De Benedetti family-controlled holding company CIR.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, February 4

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅛	AAR	.48	2.4	16	84	20⅞	20	20¼	−¼
28	9⅝	AGS			12	74	16	15⅝	16	
19	12⅞	AMCA			167	14	15	14⅞	15	+¼
17⅞	13⅛	AMF	.50	3.1	88	82	16	15⅞	15⅞	
39¾	24¼	AMR			9	3300	38	36½	38	+1½
20⅛	18¼	AMR	pf2.18	11.		14	19⅛	19⅛	19⅛	
39⅛	27½	AMR	pf2.12e	5.6		229	38	36⅝	37⅞	+1¼
25⅞	22⅞	ANR	pf2.67	11.		1	25⅛	25⅛	25⅛	−⅛
23	19	ANR	pf2.12	10.		4	20⅛	20	20⅛	+⅛
69¾	44⅛	ASA	3	6.0		395	50⅛	49½	49⅞	−⅝
27	16	AVX	.32	1.3	15	x339	24⅛	23¾	24	−⅛
48¾	36¼	AbtLab	1.20	2.5	14	1412	47⅞	46¾	47⅛	+½
25⅞	16½	AccoWd	s.44	1.8	19	155	24¼	24½	24¼	−¼
24½	12½	AcmeC	.40	2.1		857	19⅛	18½	19⅛	+½
11½	8¼	AcmeE	.32b	3.2	12	6	9⅞	9⅞	9⅞	
17⅞	15	AdaEx	2.11e	13.		86	16⅞	16½	16⅞	
18⅞	11⅞	AdmMl	.32	1.8	9	41	17⅞	17⅞	17⅞	
19½	8⅝	AdvSys	.81t	6.3	21	148	13	12⅞	12⅞	+⅛
41⅛	25⅛	AMD			15	2303	35¼	34½	35⅛	+¼
12⅞	6⅞	Advest	.12	1.2		108	10⅛	9⅞	10⅛	+⅛
13⅝	8⅛	Aeflex			13	60	13⅛	12⅞	12⅞	−⅛
40	27⅛	AetnLf	2.64	6.6	33	1590	u40⅞	39¾	40⅛	+¼
58⅞	52⅞	AetL	pf5.87e	11.		20	55½	55½	55½	
32⅛	15⅞	Ahmns	1.20	4.0	17	1393	30	29	29¾	−⅛
4⅞	2⅝	Aileen			29	30	3	2⅞	2⅞	
48¾	36½	AirPrd	1.20	2.5	11	1189	u48⅞	48	48⅞	+⅛
28	13	AirbFrt	.60	2.7	12	52	22	21½	22	+⅛
2	⅞	AlMoa			27	156	1⅞	1⅛	1⅞	+⅛
31⅞	28¾	AlaP	pfA3.92	13.		2	31	31	31	
7½	6	AlaP	dpf.87	12.		5	7½	7½	7½	+⅛
102	85¾	AlaP	pf 11	11.		z40	99¾	99¾	99¾	−¼

[illegible]

B-B-B

[illegible]

C-C-C

[illegible]

D-D-D

[illegible]

E-E-E

[illegible]

F-F-F

[illegible]

G-G-G

[illegible]

H-H-H

[illegible]

I-I-I

[illegible]

J-J-J

[illegible]

K-K-K

[illegible]

L-L-L

[illegible]

M-M-M

[illegible]

N-N-N

[illegible]

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, February 4

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	3⅞	ADI	n		21	68	5½	5⅜	5⅜	
3⅞	1⅞	ADI	wt			78	2⅛	2⅛	2⅛	−⅛
15⅜	8¼	AL	Lab .20	1.7	11	85	11¾	11½	11½	−¼
17⅞	12	AMC	n .12	.7	12	110	16½	16⅜	16½	−⅛
5	2⅛	AM	Intl			5074	5	4⅞	4⅞	
75¼	58	ATTFd	n5.52e	7.4		62	74½	74⅜	74½	−⅛
6	2⅛	AcmePr			31	12	5⅛	5	5¼	+¼
15⅜	8½	AcmeU	.32	3.0	12	24	10⅝	10¼	10¼	+¼
17	9⅝	Action			29	216	15½	15¼	15⅜	
8¼	3⅞	Action				319	5	4⅞	5	−⅛
3½	5-16	Actn	wt			8	13-16	¾	¾	
3⅝	1½	AdmRs			3	17	2¼	2⅛	2¼	+1-16
27¼	15⅞	AdRusl	.14	.5	20	113	27⅛	27	27¼	+⅛
24¾	15	Adobe	.28	1.5	12	582	18¼	17¾	18¼	+⅛
8⅞	4½	Aeronc			7	46	8⅜	8½	8⅜	+⅜
38⅜	25⅝	AfilPb	s		18	8	38	38	38	+¼
9¾	6	AirExp			9	14	7⅛	7	7	−⅛
14	6⅞	Aircal				36	8⅞	8⅜	8⅞	
6¼	2⅞	Alamco			7	21	3⅝	3¼	3⅜	+⅛
75⅞	65½	Almito	n			18	73½	72¾	73¼	
13½	6¾	AlbaW			6	29	8½	7⅞	7⅞	
8⅛	5⅝	Aloha			1	3	6⅞	6⅞	6⅞	−¼
18	9½	Alphaln	.05	.4	15	667	11⅛	10½	11⅛	
1⅞	½	Altex				223	1⅛	1⅛	1⅛	−⅛
⅜	⅛	Altex	wt			20	¼	3-16	¼	−⅛
34¼	28⅝	Alcoa	pf3.75	11.		z1300	u35	34¼	35	−1-16
25⅞	11	AlzaCp			51	213	23⅝	23½	23⅝	+½
19⅝	9½	Amdahl	.20	1.3	19	2095	15⅛	14¾	14⅞	+½
16½	8½	Amedco	.08	.8		34	10⅛	10	10	−½
7⅞	4⅞	AmBilt	.15	1.9	6	109	7⅞	7¾	7⅞	−⅛
40¼	30	AContrl	.92e	2.3	11	3	u41	40⅜	40¼	+⅛
33	12¼	AExp	wt			189	32½	30½	32⅞	
7⅞	5⅝	AFruc	A			z1000	7⅞	7¼	7⅞	+1⅞
12⅞	7⅞	AHlthM			8	139	10⅛	9⅞	10	+⅛
6⅞	4	AIsrael			3	14	5⅞	5½	5⅜	
19⅞	12⅜	AMizaA	.52	3.1	8	43	16⅝	16½	16⅝	+⅛

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 28

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19½	14¾	WashG	$1.58	8.3	8	64	19	18⅞	18⅞	−⅛
26¾	15⅝	WshNat	1.08	4.2	14	112	26¼	25⅞	25⅞	−⅞
20¾	15	WshWt	2.48	12	7	118	20⅛	20	20	−⅛
50¼	27¼	Waste	.80	1.6	16	840	49¼	48⅛	49	+⅝
26⅞	18	WatkJn	.32	1.2	11	557	25⅞	25	25⅞	+⅝
13½	8¼	WayGos	.20	1.9	10	32	10⅝	10⅜	10⅜	
8⅞	4	WeanU				265	u9⅛	8¼	9	+¾
23¼	12¼	WebbD	.20a	.9	15	281	21⅞	21¼	21¼	−⅛
37¼	25⅞	WeisMk	.70	1.9	14	25	36½	36¼	36¼	
53	30⅞	WellsF	2.16	4.0	8	270	u53½	52¼	53½	+⅝
28¼	22⅞	WelFM	2.80	10	12	50	28⅜	28⅛	28⅞	+⅛

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Feb. 1	Price Sch%	+ or —
Creditanstalt	229	......
Goesse	370	+10
Interunfall	420	......
Laenderbank	226	—1
Perlmooser	345	......
Steyr-Daimler	157	......
Veitscher Mag.	301	—1

BELGIUM/LUXEMBOURG

Feb. 4	Price Frs.	+ or —
B.B.L.	1,800	......
Banq. Int. A. Lux	6,580	+10
Bekaert B	4,770	—30
Ciment CBR	2,530	......
Cockerill	258	......
Delhaize	6,250	+150
EBES	2,800	......
Electrobel	8,080	+50
Fabrique Nat	2,100	......
GB Inno BM	2,930	—10
GBL (Brux)	2,015	+30
Gevaert	3,750	+145
Hoboken	5,940	+90
Intercom	2,075	—25
Kredietbank	7,740	+20
Pan Hldgs	10,500	+100
Petrofina	7,250	+630
Royale Belge	10,050	......
Soc Gen. Banq	3,220	......
Soc. Gen. Belge	1,795	+5
Sofina	7,340	+190
Solvay	3,905	+45
Stanwick Intl.	1,470	+10
Tractionel	3,890	—10
UCB	4,500	—10
Wagon Lits	2,445	+95

DENMARK

Feb. 4	Price Knr %	+ or —
Andelsbanken	292	—2
Baltic Skand	600	......
CopHandelsbank	296	—2
D. Sukkerfab	540	—5
Danske Bank	393	—1
De Danske Luft	1,140	......
East Asiatic	164	+6
Forenede Brygg.	805	......
Forenede Damp.	96	+2
GNT Hldg	410	-5
I.S.S.B.	379	+6
Jyske Bank	555	......
Novo Ind.	1,710	—30
Privatbanken	246	......
Provinsbanken	299	—4
Smidth (F)	232	—1
Sophus Berend	910	—5
Superfos	457	+8

GERMANY

Feb. 4	Price Dm.	+ or —
AEG-Telef.	111.3	—2.7
Allianz Vers	1820xr	—34
BASF	176.8	—2.7
Bayer	185	—3.5
Bayer-Hypo	319	—6.5
Bayer-Verein	326	—9
BHF-Bank	277	—4.5
BMW	351	—7
Brown Boveri	191	—4
Commerzbank	162.8	—6.2
Cont'l. Gummi	120.8	—2.5
Daimler-Benz	616	—19
Degussa	342	—2
D'sche Babcock	163	—1
Deutsche Bank	392.5	—6.5
Dresdner Bank	183.3	—6.7
GHH	163	—4
Hochtief.	*480*	*—5*
Hoechst	183.5	—3.3
Hoesch Werke	101	—3.5
Holzmann (P)	380	—5
Horten	168	—3
Hussel	289	......
Karstadt	212	—7
Kaufhof	210.5	—4.6
KHD	248.5xr	—4.5
Kloeckner	77.5	—0.4
Linde	391	—7.5
Lufthansa	180	—4
MAN	158	—1.8
Mannesmann	149.7	—3.8
Mercedes Hld	529	—18
Metallgesell	*230.5*	*—1.5*
Munech Rueck	1210	......
Nixdorf	516	—10
Porsche	1071	—14
Preussag	250	—3
Rhein West Elect	161	—1.6
Rosenthal	238	—2
Schering	463	—4
Siemens	508	—5
Thyssen	92.5	—1
Varta	174	—2
Veba	157.8	—0.7
V.E.W.	122	—0.6
Verein-West.	309	—1
Volkswagen	190.1	—2.9

ITALY

Feb. 4	Price Lira	+ or —
Banca Com'le	18,700	—250
Bastogi-IRBS	179	—4
Centrale	2,990	+60
Credito Varesino	4,420	—30
Fiat	2,425	......
Finsider	56.75	+5
Generali Assicur.	38,850	—760
Invest	2,926	......
Italcementi	76,400	—150
La Rinascenti	581	—4
Montedison	1,486	+1
Olivetti	6,420	—130

NORWAY

SPAIN

SWEDEN

SWITZERLAND

NETHERLANDS

AUSTRALIA

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

AUSTRALIA (continued)

HONG KONG

JAPAN

FRANCE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm February 4

MONTREAL

Closing prices February 1

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

LONDON

Chief price changes

(In pence unless otherwise indicated)

RISES		
Addison Comms.	265	+20
British Vend	54	+8
Bryson Oil	112	+7
Bullough	465	+37
Burmah Oil	219	+7
Carlton Comms.	720	+30
E.R.I.C.	220	+10
Falcon Resour	480	+70
Great West Res.	230	+20
Initial	525	+22
Jacobs (J.I.)	57½	+4
Meadow Farm	330	+20
Pauls	345	+92
Sale Tilney	518	+28
Silvermines	190	+20
FALLS		
Exch 11pc 1989	£96⅝	—¾
Tr 14pc 1998/01	£117⅛	—1
Acorn Comp	33	—8
Burton	430	—10
Distillers	297	—7
Good Relat	203	—7
P & O Defd.	380	—10
RTZ	633	—12
TI	220	—12
Vickers	225	—9
Western Mining	226	—10
Westland	120	—8

Continued on Page 38

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 29

NEW YORK PRICES

Continued from Page 29

LONDON STOCK EXCHANGE

MARKET REPORT

Dollar's upsurge unsettles as markets await today's money supply figures

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 14	Jan 24	Jan 25	Feb 4
Jan 28	Feb 7	Feb 8	Feb 18
Feb 11	Feb 21	Feb 22	Mar 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

Fears that the dollar's renewed strength would rule out an early reduction in UK interest rates sent Government stocks and equity values down sharply in London yesterday. The gilt-edged market was particularly uneasy awaiting the announcement later today of the January money supply figures, and quotations closed at around the session's lowest. Leading shares were marked down severely at the outset but gradually reduced their losses before turning off again late.

Sterling and other major currencies weakened and UK money markets rose as the dollar surged higher on stronger views that the Federal Reserve was unlikely to let U.S. rates fall any further. Revived concern over American Government overspending and the huge Budget deficits brought further support of the U.S. currency.

UK Government securities followed the trend set by American bond prices. Minor rallies on the appearance of bargain hunters were soon aborted and longer-dated Gilts settled with falls extending to a full point. The shorts traded in similar fashion to close around ½ lower, while index-linked stocks showed losses ranging to ¼. The key three-month interbank rate was up eventually from 12¾ to 13¼ per cent.

Top-quality industrial stocks rallied when it became apparent that the early mark-down reflected in an opening fall of 18.3 in the FT Ordinary share index—had been overdone. Pharmaceutical companies were heavily involved in the initial weakness following a report that the Department of Health and Social Security was seeking to reduce profit margins on capital employed.

Cheap buying developed of blue chip issues soon after 10.00 am and some investors began wistfully hoping that a favourable set of banking statistics might permit a cut in clearing bank base rates later this week. Interest, however, tended to fade ahead of Wall Street's opening and, with the Dow Jones index quickly moving lower, London became uncertain again. The FT Ordinary share index closed 9.2 down on the day at 968.3.

No comment.

The two newcomers to the Unlisted Securities Market staged impressive debuts. Blue Bird Toys opened at 112p and moved up to 123p compared with the placing price of 90p, while electronic filing systems designer and manufacturer Memcom started at 305p and advanced to 325p.

Investors continued to shy away from the drinks sector. Bass gave up 7 to 485p, while Grand Metropolitan, 290p, and Greenall Whitley, 176p, shed 5 and 4 respectively. Arthur Guinness which last week announced the acquisition of Richter Inc of the U.S. also eased 4, to 232p.

Leading Buildings were marked defensively lower at the outset, but managed to rally in the absence of selling pressure to close with only minor losses on the day. Housebuilders, however, continued to trade cautiously awaiting the Building Societies' decision on mortgage rates and Barratt Developments slipped to 72p prior to closing a net 3 off at 74p. George Wimpey lost the turn at 103p. Elsewhere, Manders attracted further regional buying and gained 6 more to 186p.

ICI opened 15 lower at 830p on Wall Street influences, but revived domestic demand left the close only 3 cheaper on balance at 842p. Among other Chemicals, current takeover favourite Yorkshire touched a 1984-85 peak of 77p before closing a penny dearer at 75p.

Stores dip & rally

Fears that the current high level of interest rates could remain for some time kept leading Stores in the doldrums. After last week's heavy falls, further double-figure losses appeared before buyers began to nibble at the lower levels. Consequently, some closing levels were well above the day's lowest with Gussies "A" 5 off at 685p, after 675p, and Burton, the subject of cautious week-end Press comment, 10 easier at 430p, after 425p. Habitat gave up 4 at 356p and Woolworth cheapened 13 at 575p. Elsewhere, W. H. Smith "A," depressed last week by comment on the interim figures, cheapened afresh to 182p before rebounding smartly on revived takeover speculation to close a net 4 better at 192p.

Leading Electricals held up well until the late dealings and then softened a few pence. Elsewhere, news that the Torch Computer acquisition had been abandoned prompted fresh weakness in Acorn Computer which dipped 8 to 33p. Muirhead, on the other hand, edged up 4 further to 188p awaiting the preliminary results, due later this month. USM quoted Microfilm Reprographics were a volatile market and dipped to 225p before recovering to close 7 up on balance at 245p.

Newspaper "take-profits" advice prompted selling of TI which fell to 216p before picking up to close 12 off on the day at 220p. Vickers, a good market of late, also came on offer and closed 9 cheaper at 225p, after 222p, but other leading Engineers were only marginally easier. Among secondary issues, Bullough, reflecting the good results and proposed £11.5m rights issue, advanced to 475p before settling at 465p for a rise of 37 on the day. In contrast, Westland encountered selling on Press suggestions that the company had asked the Defence Ministry to consider a financial rescue package—subsequently denied by Westland — and dropped to 112p before ending 6 off on balance at 120p.

Leading Food Retailers displayed moderate falls. Associated Dairies settled 4 cheaper at 152p, after 150p, as did recent American favourite J. Sainsbury, at 312p. Elsewhere, Tate and Lyle lost 7 to 450p, but British Vending found support following a newsletter recommendation and gained 6 to 54p.

Pharmaceutical issues were unsettled by comment on the Government's proposals to cut drug profits. Beecham came under early selling pressure and touched 353p before settling 5 cheaper at 355p, while Glaxo ended ¼ lower at £11¼. Boots, however, finished only a penny lower at 169p, and Fisons a couple of pence off at 280p, after 275p. Elsewhere, Pauls featured a jump of 92 to 345p on the bid from Harrisons and Crosfield, which gave up 7 to 448p. Renewed demand ahead of the preliminary figures, expected next month, pushed Sale Tilney up 28 more to 518p, while favourable weekend Press mention left Bodycote 4 to the good at 98p and F. H. Tomkins 3 dearer at 157p. Revived buying in anticipation of the Monopolies Commission report on the BET offer prompted a rise of 22 to 525p in Initial. A still further revised offer from London and Midland Industries left Hoskins and Horton 5 lower at 348p. Late support lifted Associated British Ports 5 to 285p, but Powell Duffryn continued to drift lower and ended 7 down at 388p.

Among Leisure issues, Management Agency and Music put on 8 to 160p on revived speculative demand, but Herrburger Brooks contrasted with a fall of 5 to 38p following poor half-year figures.

An uninspired Motor sector had Dunlop a fraction dearer at 36½p on hopes of an increased offer from BTR. Kwik Fit hardened a penny to 33p following Press comment and Bluemel Bros improved a shade to 14p awaiting today's preliminary results.

Widespread comment on the internal rift at Good Relations which has led to the departure of six public relations executives to rivals Addison Communications, prompted nervousness in the former; following Friday's late reaction of 28, the shares opened sharply lower at 175p and dropped to 170p before revived demand induced a strong rally which brought a close of 203p, only down 7 on the day. Addison jumped 20 to 265p and Michael Page, which recently announced plans to merge with Addison, added 10 to 360p. Elsewhere in Newspapers and Papers, Carlton Communications rose 30 to 720p in response to Press comment and the proposed one-for-three scrip issue.

Secondary Property issues provided the occasional noteworthy movement with Peel Holdings 4 better at 286p on small buying and Gable House the same amount higher at 90p following Press comment. Daejan hardened 5 to 330p ahead of the interim figures, while Alfred Walker added 3 to 73p on second-thoughts about the half-yearly results.

The Shipping sector continued to attract a lively business. P & O Deferred remained depressed by the disappointing profits forecast contained in the formal offer document for Sterling Guarantee Trust, and lost 10 more to 330p; SGT softened 2 to 71p. Ocean Transport, meanwhile, dropped to 144p following cautious weekend Press comment, but later rallied on good buying to close unaltered at 151p. Comment on Hambros'

Textiles were inclined harder in places. Albion reflected revived speculative buying with a rise of 4½ to 24p, while Textured Jersey put on 2 to 73p following the higher interim profits. Gaskell Broadloom added 5 at 85p and James Ferguson edged forward 1½ to 12½p.

Britannia Arrow, following "take profits" advice, slipped to 101p before closing a few pence easier at 103p. Elsewhere in Financial Trusts, Antofagasta followed Friday's speculative jump of 55 with a fresh improvement of 5 to 285p, after 300p. Industrial Finance and Investment added 25 to 180p.

Fresh surge in Falcon

A tentative mark-down at the outset of the oil majors only served to encourage buyers and quotations quickly moved back up to Friday's closing levels. Renewed U.S. support after hours left leading shares firmer on the day. British Petroleum finished 5 higher on balance at 535p, after 522p, while Shell settled 3 dearer at 748p, after 740p. Recently-overlooked Burmah revived strongly and advanced 7 to 219p.

Once again, second-liners were highlighted by Falcon Resources which, after weekend comment on its Colorado drilling prospects, attracted aggressive buying and surged to a fresh peak of 488p prior to closing a net 76 higher at 480p. ERIC rose 10 to 220p in sympathy, while Silvermines, which holds a stake in Falcon, gained 20 to 190p. Great Western Resources, believed to have acreage close to Falcon, moved up 20 to 230p. Dealings were suspended in American Oilfield Systems at 22p pending an announcement.

No comment.

Australian mining counters, firm recently reflecting the relative strength of base-metal markets, displayed widespread losses as the domestic currency came under pressure. Sentiment was also given a further jolt by unimpressive first-half figures from Western Mining, which subsequently dipped 10 to 226p. Similar losses were recorded by CRA, 370p, and Renison, 268p, while Peko-Wallsend, 296p, and MIMS, 184p, eased 4 apiece. Down-under Golds also lacked impetus with losses of 5 common to Gold Mines of Kalgoorlie, 355p, and Central Norseman, 378p, the last-mentioned despite excellent interim results.

South African Golds, which had shown an encouraging recovery last week in the wake of the Reserve Bank's moves to protect the rand, ran out of steam in the face of the dollar's upsurge. Share prices were marked a shade lower at the outset reflecting a slightly easier bullion price and thereafter were content to drift. Currency considerations inhibited Continental operators and the FT Gold Mines index measured the trend with a fall of 8.7 to 473.3.

Bullion later displayed surprising resilience and, despite the strength of the U.S. currency, settled only $1.5 off at $301.75 an ounce.

London-domiciled Financials trended lower in extremely subdued trading. RTZ fell 12 to 633p on sporadic profit-taking, while Consolidated Gold Fields eased 7 to 493p.

Demand for Traded Options declined substantially and total contracts struck amounted to only 5,676, the lowest total so far this year and well short of last week's daily average of 11,398. However, a lively business developed in Imps which attracted 845 calls, the February and May 200's accounting for 215 and 379 trades respectively.

FINANCIAL TIMES STOCK INDICES

	Feb. 4	Feb. 1	Jan. 31	Jan. 30	Jan. 29	Jan. 28	year ago
Government Secs.	79.27	79.87	80.09	79.80	78.40	78.02	82.72
Fixed Interest	83.10	83.44	83.79	83.81	82.48	82.17	87.28
Ordinary	968.3	977.5	986.1	986.7	961.2	977.9	815.5
Gold Mines	473.3	482.0	489.6	465.0	445.1	440.3	579.2
Ord. Div. Yield	4.46	4.42	4.38	4.38	4.48	4.41	4.43
Earnings, Yld.% (full)	11.16	11.05	10.95	10.94	11.19	11.03	9.34
P/E Ratio (net) (*)	10.77	10.87	10.97	10.97	10.73	10.89	13.10
Total bargains (Est.)	24,706	26,355	26,499	26,911	33,199	32,419	25,675
Equity turnover £m.	—	296.90	385.61	463.97	431.45	483.13	269.10
Equity bargains	—	19,736	21,406	22,302	25,633	28,771	23,562
Shares traded (ml)	—	146.9	179.2	213.6	212.1	233.3	163.0

10 am 959.2. 11 am 965.2. Noon 968.5. 1 pm 968.3.
2 pm 969.4. 3 pm 969.4.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.
Nil=10.43.

HIGHS AND LOWS

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1/84)	75.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1/85)	755.3 (23/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/3/84)	439.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 1	Jan. 31
Daily		
Gilt Edged Bargains	154.5	173.4
Equities Bargains	127.9	138.7
Equities Value	600.1	779.4
5-day Average		
Gilt Edged Bargains	174.0	172.2
Equities Bargains	150.0	160.8
Equities Value	829.1	900.4

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (77)

AMERICANS (10)
Ameritech, Eaton, BASIX, Louisiana Land, Bell Atlantic, Pennzoil, Chesebrough-Ponds, Tenneco, Colt Inds., U.S. West

BANKS (3)
Alg. Bk. Nederland, Wells Fargo, Ottoman Bank

BUILDINGS (4)
IDC, United Ceramic, Manders, Watts Blake Bearne

CHEMICALS (1)
Yorkshire Chems.

ELECTRICALS (3)
Brikat, Microlease, Highland Electronics

ENGINEERING (5)
Bullough, Ransomes Sims Jeff's, Lake & Elliott, Williams Hldgs., Parkfield Group

FOODS (1)
British Vending

INDUSTRIALS (17)
Avon Rubber, High-Point Services, Bridport-Gundry, IC Inds., CH Inds. Is., Low & Bonar, Dover Corp., Pauls, Electrolux, Prestwich, Eng. China Clays, Sale Tilney, Halma, TNT, Harris (Ph.), Unibond, Hay (Norman)

INSURANCE (6)
Alexander & Alex., Bryant (Derek), Do. 11pc Cnv. Debs. 2007, Reed Stenhouse Cl. C, American General, Torchmark

MOTORS (1)
Volvo

NEWSPAPERS (4)
E. Mid. Allied A, Int. Thomson, Haynes Publishing, News Intl. Spec. Div.

PAPERS (2)
Carlton Comms., Scott Paper

PROPERTY (2)
Daon Dev. Corp., Gable House Props.

TEXTILES (2)
Dixon (David), Don Bros. Buist

TRUSTS (11)
Camellia Invs., Keystone Inv., Cont. & Industl., Lond. & Gartmore, European Assets, Antofagasta Hldgs., Fleming American 7pc Cnv. Uns. Ln. 1999, Comp. Fin. Serv., Industl. Fin. Inv., Silvermines, Gartmore Inf. Fin.

OILS (3)
E.R.I.C., Shell Transport, Falcon Resources

OVERSEAS TRADERS (1)
African Lakes

MINES (1)
Geevor Tin

NEW LOWS (20)

ELECTRICALS (1)
Acorn Computer

ENGINEERING (1)
Westland

FOODS (1)
Sutherland (E. T.)

INDUSTRIALS (5)
Burco Dean, Hendra, Falcon Invs, Sharna Ware, Hanover Invs.

NEWSPAPERS (1)
Home Counties

PROPERTY (1)
Estates Prop. Inv.

TRUSTS (1)
Yorkgreen

OILS (4)
Marinex Petroleum, Sovereign Oil, Southwest Res., Strata Oil

MINES (5)
Asia Oil Mins., HMC Australasia, Australis Mining, Southern Ventures, Gem Expln. Mins.

FT-Actuaries Indices

Due to production problems, we regret that last Saturday's display of the FT-Actuaries series contained errors in certain indices and incorrect percentage changes for most sectors and sub-sectors. Corrected indices for Friday February 1 are as follows:

Capital Goods (01) 546.94, Electronics (05) 1,789.22, Other Industrial Materials (10) 888.53, Consumer Group (21) 625.25, Newspapers, Publishing (32) 1,663.02, Miscellaneous (46) 832.09, Industrial Group (49) 624.19, 500 Share Index (59) 669.62, Financial Group (61) 452.55, Insurance (Life) (65) 600.89, Investment Trust (71) 604.30 and All Share Index (99) 612.82.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 4 1985: Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri Feb 1 Index No.	Thur Jan 31 Index No.	Wed Jan 30 Index No.	Tues Jan 29 Index No.	Year ago (approx.) Index No.
[illegible]										

FIXED INTEREST

PRICE INDICES	Mon Feb 4	Day's change %	Fri Feb 1	xd adj. today	xd adj. 1985 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Mon Feb 4	Fri Feb 1	Year ago (approx.)
[illegible]			

BRITISH GOVERNMENT INDEX-LINKED STOCKS

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. ●Corrected indices for February 1.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+or-	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+or-
[illegible]							

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+or-
[illegible]							
255	F.P.	8/2	310	285	Pilkington Bros. £1	[illegible]	
38	Nil	11/2	6½pm	5pm	Premier Cons. 5p	6½pm	
650	Nil	—	375pm	160pm	Samuelson Grp. £1	375pm	
£11	Nil	—	£11	£10	Shires Inv. Units	£11	
17	F.P.	1/2	22½	19½	Walker (C. & W.) 15p	21	
25¢cts	Nil	—	72pm	60pm	Westpac $A1	70pm	−2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully paid. ‖‖ Introduction. ※ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln. stk. and one Warrant.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 4	Feb 15	May 9	May 20
Feb 18	Mar 1	May 30	June 10
Mar 4	Mar 15	June 13	June 24

For rate indications see end of Share Information Service

Active conditions again prevailed in Options and calls were struck in Yorkshire Chemicals, Bryson, A. G. Stanley, BSG International, Sound Diffusion, TSL Thermal Syndicate, Aran Energy, Birmid Qualcast, Meekatharra, Tuskar, Pavilion Leisure, Great Western Resources, Rex Williams Leisure, Amstrad Consumer Electronics, Premier Oil, Silvermines, Falcon Resources, Grovebell, Cronite, Barker and Dobson, Central and Sheerwood, Logica, Midland Bank, Hunter Saphir, Tozer Kemsley and Millbourn, LCP, East Midland Allied Press A, Mercantile House Jaguar, ERIC, Atlantic Resources, Duport Meggitt, Britannia Arrow, Riley Leisure, and Barrett Developments. No puts or doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	101	2
Corpns. Dom. & Foreign Bonds	2	41	30
Industrials	203	389	857
Financial & Props.	63	193	290
Oils	25	30	69
Plantations	2	3	12
Mines	18	87	75
Others	73	68	74
Totals	387	912	1,409

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Assoc. Brit. Ports	235	+ 5
BAT Inds.	365	+ 2
Brit. & Commonwealth	255	+ 1
Caledonia Invs.	245	− 2
Falcon Resources	480	+76
GKN	203	− 1
Hanson Trust	208	− 6
Industrial Fin. & Inv.	180	+25
Initial	525	+22
Ocean Transport	151	—
Smith (W.H.) A	192	+ 4
Westland	120	− 6

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Falcon Res.	37	404	+24
Shell Trans.	16	745	—
Milford Docks	15	75	− 8
Minet	15	262	+10
BTR	13	640	−14
Samuelson†	13	375pm	+125
Beecham	12	360	−13
BP	12	530	—
ICI	12	845	+ 2
Microfilm Repro.	12	238	+18
Grand Met.	11	295	+ 3
GKN	11	204	+ 6
Midland Bank	11	350	+ 8
Polly Peck	10	235	− 7

† Nil-Paid

EUROPEAN OPTIONS EXCHANGE

Series	Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 19,777.

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*530)	390	105	—	—	1½	—	—
	420	120	—	—	2	—	—
	460	80	88	96	5	12	17
	500	45	56	62	13	23	32
	550	20	26	33	45	50	55
Cons. Gold (*494)	460	50	62	72	7	16	24
	500	30	37	47	27	42	52
	550	8	18	26	72	68	90
[illegible]							

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Imperial Gp. (*196)	160	39	40	44	1	3	4
	180	19	24	29	3	7	11
	200	7	15	20	10	16	19
	220	2	7	11	26	31	35
LASMO (*340)	300	48	58	65	2	11	14
	330	27	40	48	12	21	28
	360	7	28	33	28	38	43
Lonrho	140	42	43	47	0¾	1½	3
[illegible]							

Feb. 4. Total contracts, 5,676. Calls 4,249. Puts 1,427.
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102¼	99⅞	Exch. 12pc Cnv. '85	99⅞	+⅛	12.04	14.32
97¼	93⅜	Treas 3pc 1985	97⅛	–⅛	3.08	12.41
102⅝	99¼	Treas 11½pc 1985	99⅞	–⅛	11.55	11.57
99¼	96⅜	Treas 8¼pcCnv '85	98¼xd	–⅛	8.92	12.24
104⅛	99½	Exch. 12¼pc 1985	100¼	–⅛	12.23	11.97
103⅞	99⅛	Exch. 11¼pc '86	99¼xd	–¼	11.78	12.04
102⅜	96⅛	Treas. 10pcCnv 1986	97⅞	–⅛	10.24	12.10
93¼	88¼	Treas 3pc 1986	93¼	–¼	3.22	8.66
102	96¼	Exch. 10½pc Cv '86	98⅛	–⅛	10.69	11.90
104⅛	99⅛	Treas 12pc 1986	99⅞	–⅛	12.01	12.00
98¾	93½	Treas 8¼pc 1984-86‡‡	96	–½	8.85	11.62
108⅞	102⅛	Exch. 14pc 1986	103¼	–⅛	13.58	11.80
89⅞	85	Exch. 2½pc 1986	88⅝	–⅛	2.83	9.64
107⅞	100⅞	Exch 13¼pc 1987	102⅛	–⅛	12.95	11.85
100¾	94½	Treas 10¼pcCv '87	97¼xd	–⅛	10.54	11.83
87¼	83¼	Exch 2½pc 1987	86⅛xd	–⅛	2.89	10.01
101⅛	94½	Exch. 10½pc 1987	97¼	–⅛	10.80	11.95
92¾	87	Funding 6½pc '85-87‡‡	90⅜	–⅛	7.20	11.47
99⅝	92⅞	Treas. 10pc 1987	96⅛	–⅛	10.40	11.90
86⅝	81⅞	Treas 3pc 1987	85⅛	–⅛	3.51	9.52
105	97¼	Treas. 12pc 1987	100⅛	–½	11.98	11.89
94⅞	87⅞	Treas 7¾pc 1985-88‡‡	91¼	–⅛	8.49	11.39
100¼	92⅞	Exch 10½pc '88	95⅞	–⅛	10.95	12.05
98⅛	89⅞	Treas 9¾pc Cv '88	93⅞	–⅛	10.38	11.98
82⅜	77	Transport 3pc '78-88	81⅛	–⅛	3.70	9.63
96⅞	88⅜	Treas. 9½pc '88	92⅛	–⅛	10.26	11.77
106¼	94⅞	Treas 11½pc 1989	98¼xd	–⅛	11.65	12.00
96⅞	87⅞	Treas 9½pc Cnv. '89	91⅞	–⅛	10.33	11.94
99⅝	90⅞	Treas 10½pc 1989	95⅞	–⅛	11.04	11.96
100⅛	88⅞	Exch. 10pc 1989	93⅛	–⅛	10.73	12.03
101⅛	94¼	Exch 11pc 1989	96⅛	–¼	11.44	12.07
85⅝	77½	Treas 5pc 1986-89	80⅛	–⅛	6.24	10.46
114⅛	100⅛	Treas 13pc 1990‡‡	104⅛	–⅛	12.46	11.71

Five to Fifteen Years

110⅝	100⅛	Exch 12½pc 1990	106¼	–⅛	12.24	11.93

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
64	43	Magnolia Group	48	.....	2.5	3.2	7.4	4.7
64	28	♣Mannoet Hldgs 10p	42		—	—	—	—
270	157	Man. Ship Can. £1	258	−1	5.5	3.5	3.0	13.3
104	65	Marley	92	−1	†3.2	2.5	5.0	10.3
61	40	Marling Ind. 10p	58½	+½	td3.0	5.6	3.2	6.9
46	29	Marshall L'ry. 'A'	40	.....	†1.2	3.6	—	(7.1)
77	37	Marshall's Universal	72	.....	H1.75	—	3.5	21.7
89	77	Do. 7½pcCoRedPf £1	82		7½%	—	13.1	—
30	20	Martin-Black	22		—	—	—	—
£108	£83	♥Mathesons 7¼%	£85		07¼%	2.3	(9.2)	—
432	287	Metal Box £1	412	−3	†15.0	3.2	5.2	6.6
220	129	Metal Closures	150	−1	6.3	2.3	6.0	(8.3)
27	9	♣Metal Sciences 2½p	12		—	—	—	—
133	83	♣Midland Marts	98	.....	4.0	1.8	6.3	11.4

LEISURE—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
288	182	LWT "A"	267		14.4	2.3	7.7	8.1
75	42	Leisuretime Int 10p	57	+1	†1.8	1.3	4.5	(22.9)
160	98	Mirror Ag. M 10p	160	+8	8.75	1.2	7.8	14.5
179	118	♣Media Tech Int 20p	168	+1	ug2.58	3.9	2.2	16.6
137	76	Medminster 10p	127		4.85	2.6	5.5	8.6
220	138	♣Mrs: World 10p	215	+15	†3.0	3.5	1.9	19.6
26	15	♣Nationwide Leis.	24½		0.25	2.8	1.5	32.8
46	9	♣Nimslo Int 20c	23		—	—	—	—
31½	14¾	♣Owners Abroad	22		0.75	6.1	4.9	4.0
66	33	Photax (Lon.)	40		—	—	—	—
29½	20	♣P'olly Radio NV 5p	24xd		1.87	♦	11.1	♦
130	57	♣Pineapple Dnc 5s 10p	70	+3	d1.5	♦	3.1	♦
430	285	Pleasurama 5p	425		Hg9.2	4.7	3.1	13.8

PROPERTY—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
132	113	Lon. Shop Prop	123		h4.41	1.3	5.1	21.3
£130	£115	Lon Shop 9pcCnv1994	£122	−1	Q9%	11.7	0.1	—
320	255	Lynton Hldgs. 20p	307		†5.5	1.7	2.6	28.3
336	250	MEPC	308		9.0	1.4	4.2	22.6
140	95	Markheath	95		d9.75	0.9	14.7	(12.6)
60	41½	Marlborough 5p	53	.....	0.5	—	1.3	—
152	88	Marler Estates	150		2.0	7.4	1.9	7.5
119	100	♣Mayfair City Props.	106	−1	bg3.0	1.2	4.0	21.6
74	52	McInerney 10p	60		Q7½%	5.0	11.2	2.7
115	80½	McKay Secs 20p	112xd		†12.8	3.6	3.6	10.7
300	210	Mountleigh	275		F6.5	3.5	3.4	10.8
342	228	Mountview Ests. 5p	310xd	−5	4.5	9.5	2.1	7.2
88	72	Mucklow (A. & J.)	77	.....	4.73	1.2	8.8	(12.0)

INVESTMENT TRUSTS—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

Finance, Land, etc

MINES—Continued

Finance

Australians

Tins

Miscellaneous

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
75	31	♥Anglo Utd. Dev.	44	−2	—	—	—
410	210	♥Centennial Min'ls.	280	.....	—	—	—
175	70	♥Colby Res Corp.	70	.....	—	—	—
955	475	Cons. Murch. 10c	475	.....	†Q100c	1.4	8.9
37	25	♣Emex Int. Ir10p	34	+1	—	—	—
252	150	Hampton Areas 10p	190	.....	3.75	2.1	2.6
225	140	♥Highwood Res.	175	−5	—	—	—
£24½	£16	Homestake Mining $1	£20⅝	−⅛	Q20c	—	0.9
295	135	♥McFinley Red Lake	215	.....	—	—	—
240	101	♥Nosin Explorations	240	.....	—	—	—
55	23	♥New Sabina Res C$1	25	.....	—	—	—
365	220	Northgate C$1	315	+5	—	—	—
718	500	RTZ	633	−12	†18.0	2.7	4.1
£155½	£113½	Do. 9½pcLn '95-2000	£137½	−1½	Q9½%	35.4	0.1
£13	850	♥Tara Explo $1	£12¼	−⅛	—	—	—

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	90	.....	Arnott	152	+5
Craig & Rose £1	£11	.....	CPI Hldgs	57	.....
Finlay Pkg. 5p	61	+1	Carrol Inds.	100	+1
Higsons Brew	108	.....	Dublin Gas	65	.....
Holt (Jos) 25p	840	.....	Hall (R. & H.)	47	+3
IoM Stm. £1	135	+5	Heston Hldgs.	16	.....
IRISH			Irish Ropes	35	.....
Exch. 12% 1985	£99	.....	Jacob (W.& R.)	65	.....
Nat. 9¾% 84/89	£94	.....	TMG	100	.....
Fin. 13% 97/02	£89⅛	.....	Unidare	83	.....

OPTIONS — 3-month call rates

Industrials	p		p		p
Allied-Lyons	15	GKN	16	Turner Newall	9
BAT	38	Hanson Tst.	22	Unilever	80
BOC Grp.	24	Hawker Sidd	38	Vickers	10
BSR	15	Hse of Fraser	28	**Property**	
Babcock	13	ICI	50	Brit Land	14
Barclays Bank	42	'Imps'	14	Cap Counties	18
Beecham	30	Jaguar	18	Land Secs	24
Blue Circle	46	Ladbroke	20	MEPC	30
Boots	18	Legal & Gen	42	Peachey	24
Bowaters	16	Lex Service	32	Samuel Props	14
Brit Aerospace	34	Lloyds Bank	42	Sterling Guar.	5½
Brit. Telecom	11	Lucas Inds	24	**Oils**	
Brown (J.)	3	Marks & Spcr	10	Brit. Oil & Min	4½
Burton Ord	32	Midland Bk	33	Brit Petroleum	38
Cadburys	14	NEI	9	Burmah Oil	19
Comm Union	15	Nat West Bk	54	Charterhall	6
Courtaulds	11	P & O Dfd	24	Premier	6
Debenhams	19	Plessey	20	Shell	55
Distillers	24	Polly Peck	25	Tricentrol	22
Dunlop	5	Racal Elect	24	Ultramar	22
FNFC	7	RHM	10	**Mines**	
Gen Accident	42	Rank Org Ord	24	Charter Cons	21
Gen Electric	20	Reed Intnl	50	Cons Gold	42
Glaxo	90	Sears	7	Lonrho	14
Grand Met	26	TI	18	Rio T Zinc	60
GUS 'A'	55	Tesco	8		
Guardian	58	Thorn EMI	42		
		Trust Houses	12		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 37

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard, EC4P 4DX. 01-236 1833

High Income				
Gilts & Fixed Int.	109.8	116.2	-0.4	10.33
High Inc Equity	69.6	74.0	-0.3	6.08
Worldwide Bond	161.1	171.4	+0.2	5.66
Capital Growth				
American Growth	133.2	141.7	-0.9	1.34
Assets & Emrg. Tr.	71.9	76.9	....	3.06
Capital Reserve	54.9	55.2		0.76
Commodity & Engy.	79.9	85.5	-0.5	2.61
General	102.2	109.3	-1.1	2.78
Japan	174.1	186.2	-1.1	0.00
UK Growth	68.6	73.8	+0.6	2.09
Acc. Units	96.9	104.2	+0.8	2.09
U.S. Emerging Co's	57.2	61.2	+0.1	0.42
Equitas Prog.	156.1	167.0	-1.0	3.53

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd	148.8	157.2	.....	0.10
Europe	435.0	462.0	...	—
Pacific Fd	136.0	145.5	-1.5	0.20
Secured Income Fd	137.8	147.4	-1.6	9.88
Special Sits	166.8	178.5	-0.5	1.56
Energy Fd	37.7	40.3	-0.3	0.60
American Majors	60.2	64.4	-0.6	2.26
Small Co's Fd (10for1)	29.4	31.4	...	1.97
Jap. Technology	69.0	73.8	-0.6	0.20

Allied Unit Trusts Limited (a)(g)
Allied Hambro House, Hutton, Brentwood, Essex
Brentwood. (0277) 211459 & 229123

Balanced Trusts and Income Trusts

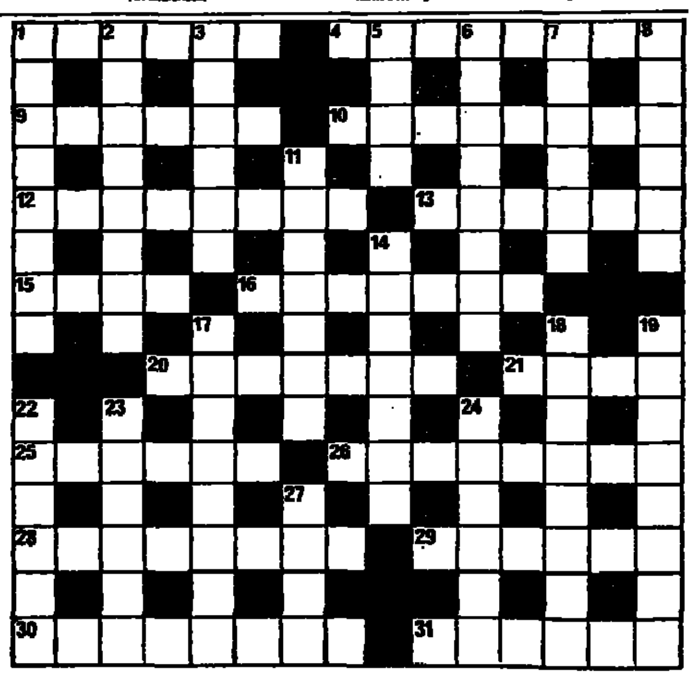
First Trust	160.0	169.4	-1.2	4.10
Growth & Inc. Trust	102.7	108.9	-0.9	3.81
Capital Trust	188.1	199.4	-1.8	2.98
Balanced Trust	271.1	287.4	-2.1	3.84
Accum Trust	407.8	432.3	-3.6	3.16

[illegible]

INSURANCES

[illegible]

F.T. CROSSWORD PUZZLE No. 5,636



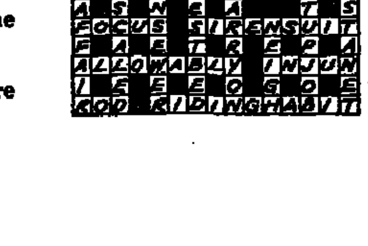
ACROSS

1 Modern note and coin (6)
4 Whole eternity blown to bits (8)
9 A drink that is diluted and cast out (6)
10 Pull beneath the waves (8)
12 Short skirts tempt the clergy! (8)
13 Fish, for example, with greens? (6)
15 Bring down, strange though it may sound (4)
16 Loving having a party telephone (7)
20 A professor of infinite wisdom (4-3)
21 Just fine! (4)
25 Discover and pass back a note (6)
26 Guide to advanced maturity for poor sailors? (8)
28 Faded white changed to another colour (8)
29 Mike's love turns out to be from the North (6)
30 How players train (8)
31 Come out East and join up (6)

DOWN

1 She makes me turn in a string of beads (8)
2 Relatively close? (8)
3 He doesn't like to assume anything (6)
5 Women in retreat (4)
6 Heading for the frozen wastes—or stuck in them (3, 5)
7 Ernest goes out and comes in (6)
8 Acted sleepily as the new day breaks (6)
11 Boring commercial interrupts fight (7)
14 Churchman about to put plate out (7)
17 It can make a man hate what is repellent to him (8)
18 Gallant with a strain of avarice left in him (8)
19 Right-o, darling! (4, 4)
22 A runner, but not in the vegetable garden (6)
23 Stop and have a drink (6)
24 Black man washed ashore (6)
27 Fixed forms of worship (4)

Solution to Puzzle No. 5,635



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd New Barnet 01 440 8210
Fund Managers, Touche Remnant & Co

SerSecs A	26 5	28 0		
Blue Chip	22 4	23 6		
Fixed Yield	19 5	20 6		
Deposit Fund	16 0	16 9		
Managed	20 9	22 1		
International	28 8	30 4		
Property	17.0	17 9		
Pacific	22.2	23.4		
Equity	16.1	17 0		
Special Sits	25.1	26.5		—
Int Currency	14.0	14 8		—
Index Linked Secs	10 9	11.5		
American	23.9	25.2		—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.83	15.571		—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202

Mult. Grwth Jan 6		£305.916		—
Mult. Grwth 'A' Jan 6	276.2	290 8		—
Op 8 Prop Jan 31	263.6	277.5		—
Op 8 Equity Feb 4	370.6	390.2	-3 4	—
Op Hy Jan 31	266.1	280.2		—
Op 8 Man Jan 31	346.6	364.9		—
Op 8 Dep Feb 4	201.4	212.1	+0.2	11.82
Op 8 Bond Jan 31	187.9	197.8		Jan
Op 8 Inc Dist Jan 31	143.4	150.9		8.049
Op 8 Int Man Jan 31	215 1	226.5		
Op 8 US$ Jan 31	169.4	178.4		12.12
Pens 8 Pr Ac Jan 31	347 7	366.1		—
Pens 8 Eq Ac Jan 31	1067.6	1123.8		—
Pens 8 FI Ac Jan 31	386.4	406.8		—
Pens 8 Ma Acc Jan 31	617.9	650 5		—
Pens 8 Dp Acc Jan 31	322 1	339 1		—
PensBGart Glbbe Jan 31	114.1	120.2		—
Pens B Gart NA Jan 31	107.2	112.8		—
PensBGartP Jan 31	121.8	128.3		—

For Pensions Capital Units please ring extension 519.

Britannia Funds—Series A

Am Smlr Co's	138.2	145.5	-3.0	—
Am Spec Sits	164.5	173.2	+0.6	—
Commodity	85.5	90.1	+0.9	—
Extra Inc	117.2	123.4	+0.6	—
Far East	117.7	123.9	-2.0	
Fi Secs	159.0	167 4	+1.2	—
Gold & Gen	74.7	78.1	+1.4	—
Inc Growth	160.2	168.7	+1.2	—

National Provident Institution
48 Gracechurch St, EC3P 3HH 01-623 4200

Managed	199 1	209 6	-0 5	
UK Equity	228 1	240 2	-0 5	
Overseas Eq.	207 7	218 7	-0.3	
American	211 5	222 7	+0 3	
Far East	180 0	189 5	-1 9	
Property	112 5	118 5		
Fixed Int	158 3	166 7	-0 8	
Indexed Gilt	105 8	111 4	-0.1	
Deposit	114 2	120.3	+0 1	

Pension Fund Prices

Man. Initial	201.2	211 8	-0.8	
Man Acc	224.0	235 8	-0.9	
UK Eq. Initial	215.0	226 4	-1.0	—
UK Eq.	236.4	248.9	-1.0	—
Overseas Eq. Initial	230.9	243 1	-1.3	—
Overseas Eq.	266.2	280.3	-1.5	
American Initial	243 1	255 9	+0.4	
American	268.4	282.6	+0 5	
Far East Initial	230 4	242.6	-3 4	
Far East	255.1	268.6	-3.7	—
Prop. Initial	108.3	114.0		
Prop	119 6	125.9		—
Fixed Int. Initial	141.7	149.2	-0.8	—
Fixed Int.	155.8	164.1	-0.9	—
Indexed Gilt Initial	99 0	104.3	-0.2	—
Indexed Gilt	109.5	115.3	-0 1	—
Deposit Initial	113.0	119 0	+0.1	—
Deposit	125.3	131.9	+0.1	—

NPI Pensions Management Ltd.

Managed Fund	562.0	576.4		—

Prices Jan 2. Next dealing March 1

New Zealand Insurance PLC
110/114, Baxter Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	372.9	384 4		—
UK Equity	167.5	176.3	+0.3	—
American	273 2	287.6	-1.2	—
Pacific	388.9	409 4	-3.2	—
Property	153.3	161.3		—
Gilt	175.8	185 1	-0.5	—
High Inc. Equity	158.8	167.1		—
High Inc. Fxd. Int.	191.3	160.7	+0.3	—
Deposit	150.2	158.1		—
Index-Linked Gilt	101 8	107.2	-0.4	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

NUIC (Managed Funds) Ltd.

Managed Fund	519 9	547.3	-1.7	—
Equity Fund	970.2	1,021 3	-2 6	—
Property Fund	266.6	280.6		—

OFFSHORE AND OVERSEAS

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.68	—	-0.12	—

Inv. Adv: M & G. Inv Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12 7	13.2		3 10
Chinese Fund	58.8	61.2		1.70
Precious Metal Fund	71 4	74.3		8.30
Vanguard Cmdy. Fd.	19.8	20 4		0.00
Financial Futures Fd	32.5	33.8		—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Grth Fd.	$8.84	—	-0 10	—

Money Market Trust Funds

The Money Market Trust
63 Qn Victoria St, EC4N 4ST 01-236 0952

	Nom	Apr	Int Cr	Notice
Call Fnd	13 60	14 14	6-mth	Call
7-day Fnd	12.97	13 46	6-mth	7-day

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

	Nom	Apr	Int Cr	Notice
Call Fnd	13.85	14.32	6-mth	Call
7-day Fund	12.03	12 40	6-mth	7-day
Money Mngt. Acct.	13.50	14 19	3-mth	Call
Dollar	7 37	7.50	6-mth	2-day

Money Market Bank Accounts

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

	Nom	APR	Int Cr	Notice
Treasury Acc.	13.00	13 65	Qtr	Call
Mth Int. Chq	12.75	13 52	Mth	Call

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01-628 8060

	Nom	APR	Int Cr	Notice
Cheque Acc.	12.30	13.02	Mth	Call

Barclays Prime Account
PO Box 125, Northampton 0604 252891

	Nom	APR	Int Cr	Notice
High Int. Cheque	12.50	13 10	Qtr	Call

Britannia Grp of Investment Companies
29 Finsbury Circus, EC2M 5QL. 01-588 2777

	Nom	APR	Int Cr	Notice
Cater Allen	13.50	14.36	Mth	Call

Charterhouse Japhet plc
1 Paternoster Row, EC4M 7DH. 01-248 3999

	Nom	APR	Int Cr	Notice
Sterling	13.25	14 086	Mth	Call
U S Dollar	7.50	7 763	Mth	Call
German Marks	5 0	5 116	Mth	Call
Swiss Francs	2 0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call

Co-operative Bank
78-80 Cornhill EC3 01-626 6543 Ex 464

	Nom	APR	Int Cr	Notice
Under £1,000	12.00	12 55	Qtr	Call
Over £1,000	14.00	14 75	Qtr	Call

Dartington & Co Ltd
Dartington, Totnes, Devon TQ9 6JE. 0803 862271

	Nom	APR	Int Cr	Notice
Money Mkt Acc.	13.50	14.20	Qtr	Call

Henderson/Bank of Scotland
38 Threadneedle St EC2P 2EH 01-628 8060

	Nom	APR	Int Cr	Notice
Money Mkt. Cheque Acc.	12.30	13.02	Mth	Call

Lombard North Central PLC
17 Bruton St, W1A 3DH 01-409 3434

	Nom	APR	Int Cr	Notice
Notice Dep	12 75	13.15	Rate	14-day

M & G/Kleinwort Benson
91-99 New London Rd, Chelmsford. 0245 51651

	Nom	APR	Int Cr	Notice
High Int Cheque Acc.	13.25	14.10	Daily	Call

Midland Bank plc
PO Box 2, Sheffield. 0742 20999 Ext 8738

	Nom	APR	Int Cr	Notice
High Int Chq.	12.60	13.20	Qtr	Call

Provincial Trust (formerly Choulartons)
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011

	Nom	APR	Int Cr	Notice
Cheque Acc	14.00	14 93	Mth	Call

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 66966

	Nom	APR	Int Cr	Notice
High. Int. Bk. Acc.	12.66	13.50	Daily	Call
Premier Acc	12.66	13.50	Daily	Call

Tyndall & Co
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241

	Nom	APR	Int Cr	Notice
Demand Acc	13.00	13 65	Qtr	Call
Money Acc.	12.00	12 55	Qtr	Chq/7

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

	Nom	APR	Int Cr	Notice
Special Acc.	13.50	14 37	Mth	Call
Over £10,000	13 75	14 65	Mth	Call

NOTES — Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans s Single premium insurance. x Offered price includes all expenses except agent's commission y Offered price includes all expenses if bought through managers. z Previous day's price. ¤ Guernsey gross. # Suspended. ◆ Yield before Jersey tax † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Firmer trend in metal markets

By Our Commodities Editor

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending Feb 1)

Aluminium	−2,400 to	140,550
Copper	−3,925 to	116,400
Lead	+4,050 to	55,575
Nickel	+1,626 to	6,528
Tin	+680 to	22,880
Zinc	−675 to	29,600
		(tonnes)
Silver	+230,000 to	53,034,000 (ounces)

EASIER STERLING, and a rally in copper, brought a generally firmer trend on the London base metal markets yesterday. After declining for three days in succession last week from the five-year peak reached last Tuesday, copper opened on a steadier note yesterday and closed with the three months higher grade quotation £9 up at £1,274.25 a tonne.

The fall in copper warehouse stocks to the lowest level since December 1981 was in line with market expectations and made little impact on prices. Indeed there were reported to be freer offerings of cash metal that maintained the gap between the cash and three months price

The decline in aluminium stocks was also anticipated, but the market was boosted by the news late on Friday that U.S. producer Alcoa was closing a potline normally producing over 34,000 tonnes a year.

Ths steady docline in zinc stocks to the lowest levels for nearly 10 years remains a dominant influence. The standard grade cash price advanced strongly again yesterday by £11.5 to £746.5 a tonne.

● Inco (Europe) announced yesterday that it has ceased to publish its monthly sterling price for nickel, which was calculated by converting its world dollar price on an exchange rate formula. The company said that due to volatility in the dollar-sterling parity it was no longer possible to work out a single exchange rate relevant for a whole month in advance.

May launch for freight futures

BY JOHN EDWARDS, COMMODITIES EDITOR

A DEAL between the Baltic Freight Futures Exchange (known as Biffex) and the Intex Futures Exchange (Intex) to start trading their freight futures contracts simultaneously in May was announced yesterday.

The announcement followed a stormy meeting of the newly-elected floor members of Biffex, who voted narrowly in favour of a link with Intex.

Many members claimed they had been given too short notice to decide such an important decision.

Others thought it was not worth selling the main asset (the Baltic Freight Index) just to get co-operation with Intex, the Bermuda-based automated exchange has made little impact with its gold futures contract introduced last October.

Intex announced nearly two weeks ago that it was planning to launch independently in March the first ever ocean freight futures contract.

It has now agred to postpone the contract until May, while Biffex has brought forward its proposed start up date by a month.

Under the deal Biffex will lease the Baltic Freight Index to Intex for an annual fee (believed to be £25,000) and both exchanges will have identical contracts.

Although the International Commodities Clearing House will provide clearing facilities for both exchanges, there will not be mutual offset trading, although a common clearing may be considered in the future.

Mr Richard Hunt, vice-chairman of the Baltic Exchange, said it would be interesting to see how the two markets fared with Biffex using the traditional open outcry trading system and Intex using fully-automated computer trading.

Biffex had no difficulty in finding 30 floor members, paying £25,000 each for full trading rights. They are made up of a mixture of futures brokers and shipping companies.

However, there has been a disappointing response for "ordinary" membership, which costs £5,000, but offers few privileges. Only 20 companies have applied so far against a target of 70.

Gatt rules against EEC in citrus fruit dispute

GENEVA — Gatt, the General Agreement on Tariffs and Trade, has ruled in favour of the U.S. in a dispute over tariff preferences given by the European Community to several Mediterranean citrus fruit suppliers to the Community.

A study by a five-member Gatt panel said the tariff preferences on fresh oranges and lemons had substantially impaired U.S. citrus trade with the Community and upset competition between the U.S. and Mediterranean suppliers.

The panel told the Community to take action to limit the adverse effects on U.S. exports by next October, possibly by reducing its "most favoured nations" tariff rates. It also ruled that the U.S. was entitled to compensation.

The EEC is to contest the ruling, which would affect fruit from Spain, Morocco and Israel.

Community officials noted that the panel had not found the EEC practices to be contrary to Gatt rules, and said they would ask the next Gatt council meeting on March 12 to set the report aside.

Europe imports 1.6m tonnes of fresh sweet oranges and about 250,000 tonnes of lemons every year, more than 75 per cent from Mediterranean countries and the rest from the U.S.

Reuter

Cocoa price climbs to 7¼-year high

COCOA prices climbed to 7¼-year high on the London futures market yesterday as the recent bull trend, briefly interrupted towards the end of last week, was resumed.

The May position, which advanced £100 a tonne last week, gained another £52 to £2,266.50 a tonne. Dealers attributed the rise to speculative buying in a thin market. There was no sign of producer selling being attracted by the higher prices, they noted.

The Cocoa Producers' Alliance will meet in London on February 13-15 to prepare for the resumption in Geneva on February 18 of negotiations for an International Cocoa Agreement. This will be the third attempt to renegotiate the pact. The present agreement expires at the end of September.

● MALAWI farmers are expected to produce a record tobacco crop of 79m kg (174m pounds), 13 per cent bigger than last year, the state-run Tobacco Control Commission said.

● BRITISH potato stocks are a record 3.5m tonnes, 1.1m tonnes higher than at the same time last year, despite the recent cold and frost damage, the Potato Marketing Board said.

● INDIAN sugar output in the 1984-85 season ending September was 2.24m tonnes up to January 15, up frfom 2.04m in the same period a year ago, the Indian Sugar Mills Association said.

● PAKISTAN has completed wheat sowing and expects a bumper crop of more than 13m tonnes after a shortfall last year caused by drought, Agriculture Ministry officials said.

● THE SOUTH AFRICAN maize crop could fall below the previously predicted 6m tonnes to about 5.5m after three days of extremely high temperatures, the National Association of Maize Producers.

● IVORY COAST is likely to become Africa's biggest natural rubber producer from 1990, the official Ivorian daily Fraternite Matin said. Output is forecast to reach 80,000 tonnes in 1990 and rise to 120,000 by 1995.

Getting to grips with cereals surpluses

HAVING stemmed but by no means staunched the horrendous costs of its milk regime, the European Community is now trying to lessen the expense of the cereals sector. Under the rules there should be a 5 per cent reduction in the basic price for the next year, beginning August 1, but in its proposals announced last week the Commission called for a reduction of only 3.6 per cent.

Even this figure has been condemned by Herr Kiechle, the West German Agriculture Minister, who proposed recently that the quality standards for grain offered for intervention and export should be raised substantially.

Minimum weights per hectolitre should be raised, and the quantity of admixtures, split grains weed seeds and so on should be reduced below the 12 per cent now acceptable, to perhaps 3 or 4 per cent. This would particularly apply to wheat. The French would probably favour this as their grain is generally of a higher quality than British, as is most probably German.

Mr Michael Jopling, the British Agriculture Minister, belittled the suggestion when he addressed Hampshire farmers last week. He claimed that a 5 per cent cut in the guaranteed price should be enough to calm down over-production and, in any case, last year's record harvest was unlikely to be repeated.

He said he was determined not to impose acreage or production quotas and did not favour any sort of enforced standards for grain. The market was the best judge of these criteria.

This *laisser faire* approach was sensible when Britain was one of the leading grain importers and could take its pick of the offers, but now that it is the second largest cereals growers in the Community after France a rather different approach would seem to be needed.

According to the Home Grown Cereals Authority UK cereal intervention stocks will total 3.5m tonnes of wheat and 1m tonnes of barley by the end of the cereals year.

This cannot be welcome news to the Chancellor of the Exchequer. Total intervention costs, buying and storage are paid by the member state and only repaid when the grain is sold.

In view of the large tonnage in intervention throughout the Community, sales are unlikely without heavy subsidy. Which of course would be an extra charge on the budget and lead to more arguments between the UK and the rest of Europe.

The other outlet for UK grain is export which from August to December 31 has amounted to just under 1m tonnes of wheat and 2m tonnes of barley. This is just about double the previous year's tonnage and on the face of it a commendable effort, but it is now said to be petering out. There are simply *no viable markets left* and the world cereals market is under pressure through high stocks and weak sellers.

It is probable that the Cereals Management Committee of the EEC made a strategical mistake. Because of the strength of the U.S. dollar, in which cereals are traded, the EEC refused to award any export subsidies for wheat for long periods of this export season. This suited France in particular where wheat is of highest quality. UK exports were also of the milling types for the most part, and so competitive with world supplies.

But most varieties of wheat grown in Britain are feed sorts and would not compete with milling wheat on the world market. Because there are no real quality standards for wheat of different grades, feed wheat had to take its chance on the milling wheat market. Not surprisingly no one was interested.

Barley, however, has been selling well, both from the UK and other countries. The reason is simple. Barley, mainly used as feed grain, has been enjoying an export subsidy of £20 to £25 per tonne for most of the season.

The refund is set to match other feed grains, maize and barley on world markets. In a *logical* world, which the EEC most certainly is not, feed wheat should in this instance be classed with barley and subsidised accordingly.

In theory it is. Both have the same intervention price. There is a highr intervention price milling wheat. The premium is just under £8 per tonne.

Bearing in mind the difficulties of imposing quotas or real price reductions, Kiechle's suggestion of raising quality standards is worthy of examination and the support of those who wish to save the EEC money.

Any grain failing to meet these standards would have to be sold for what it would fetch on the local market. This would reduce the amounts offered for intervention and export and would strongly compete with the cereal substitutes at present being *imported*.

But it would only be a temporary solution. Within a few years there is no doubt that the plant breeders and farmers would have turned their endeavours towards the higher quality wheats and be flooding the market once more. Physical restraint is the only answer.

Farmer's Viewpoint : By John Cherrington

India lifts cotton sales ban

BY R. C. MURTHY IN BOMBAY

THE INDIAN Government has lifted its ban on cotton exports following a good crop this season and pressure from cotton co-operatives to allow exports in a bid to arrest the price fall.

The Government will permit export of 100,000 bales (170 kg each) of long staple cotton.

Exports will be handled by the Cotton Corporation of India, the Maharashtra State Co-operative Growers Marketing Federation and the Gujarat Co-operative Marketing Federation.

Cotton production this season is estimated at 9.1m bales, about 1.3m bales higher than the previous crop.

There has been a 10-15 per cent drop in cotton prices over the past couple of months. With coming elections to state assemblies, the Government does not want to annoy cotton growers.

The textile lobby, however, which had succeeded until recently in pressing the Government to keep the ban, has been emphasising that their will be a shortage of cotton. It wants the country to export if necessary, cotton yarn, a value added item, rather than cotton.

In late January, the Government allowed export of fine cotton yarn, but has fixed an export ceiling of 12m kg against 8m exported in 1984.

London tea values lower

BY RICHARD MOONEY

TEA PRICES at yesterday's weekly London auction were sharply down from last week reflecting lighter demand for most grades and descriptions.

According to the Tea Broker's Association (TBA) quality grade tea averaged 316p a kg, 19p down from last week. Medium grade tea was 14p cheaper at 284p a kg and low medium 5p down at 248p.

Market sentiment was affected by India's decision last week to release more tea for export, brokers said. The amount was not great, they added, but the move underlined the country's increased willingness to supply the market.

The world stock position had moved more into balance, noted one broker, following last year's 4 per cent rise in world production.

The TBA said demand was less general than recently, with Assams, which received more selective enquiry, generally 5p to 15p lower.

Bangladesh offerings were "well suported" although prices generally shed 10p a kg.

Except for a few selected lines, Africans were 10p to 20p a kg cheaper with plainer sorts "often neglected" towards the close. Ceylons met quite good demand, usually at lower levels.

Enquiry for offshore teas was fair but generally at easier rates.

COFFEE FUTURES continued last week's late rally with the May position ending the day £29 up at £2,414 a tonne. Dealers said the rise reflected strong gains on the New York market and sterling's decline against the dollar. They described the market's tone as "lacklustre."

Sugar values drifted in quiet trading and nearby futures positions moved a dollar or two off on the day. Dealers said the market lacked fresh news and incentives and reacted to a softer tone in New York.

There was no noticeable impact from a revised EEC crop estimate published by the French Sugar Market Intervention Board. This limited the 1984-85 crop prediction to 12.48m tonnes from the 12.3m predicted in December.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Feb. 4 1985	+ or —	Month ago
Aluminium	£1100		£1100
Free Mkt	$1150/1170	+5	$1085/1125
Copper			
Cash h Grade	£1253.5	+9	£1143.5
3 mths	£1274.25	+9	£1145.25
Gold troy oz	$301.75	−1.5	$296.5
Lead Cash	£341	+1	£384.5
3 mths	£344.5	+3.25	£329.25
Nickel	£5816		£5816
Free Mkt	225/255	−1	212/247c
Palladium oz	$126.25	−1.75	$113.25
Platinum oz	$273.00	−1.75	$270.00
Quicksilver	$295/305		$309/319
Silver troy oz	549.25p	−9.55	509.65p
3 mths	565.95p	−8.85	522.38p
Tin cash	£9955	−25	£9842.5
3 mths	£9952.5	+2.5	£9812.5
Tungsten	$83.85		$81.75
Wolfram 22 04lb	$68/72		$66/70
Zinc	£746.5	+11.5	£703.5
3 mths	£744.25	+8.75	£698.5
Producers	$900		$900

	Feb. 4 1985	+ or —	Month ago
OILS			
Coconut (Phil)	$745v	—	$910
Palm Malayan	$580z	—	$585
SEEDS			
Copra Phil	$475v	−25	$570
Soyabean (U.S.)	$251.5z	—	$237.95
GRAINS			
Barley Fut. May	£116.20	−0.35	£115.80
Maize	£147.50z	+0.50	£146.50
Wheat Fut. May	£116.30	−0.30	£113.50
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2266.5	+52.5	£1908.5
Coffee Ft. Mar.	£2414	—	£2283
Cotton A Index	70.00c	—	71.60
Gas Oil Feb.	$222.875	+2.00	$216
Rubber (kilo)	64p	—	62p
Sugar (raw)	£119.0yw	+2.00	$95
Wooltops 64s	514pkilo	—	486pkilo

‡ Unquoted. z Feb. w March. u Feb-March. y Jan-Feb. v March-April. † Per 75-lb flask. n Nominal. c Cents a pound.

INDICES

FINANCIAL TIMES

Feb. 4	Feb. 1	M'th ago	Year ago
2016.0	2014.3	1916.0	1998.6

(Base: July 1 1952 = 100)

REUTERS

Feb. 1	Jan. 31	M'th ago	Year ago
2014.3	2019.0	1919.2	1998.5

Base: September 18 1931 = 100)

MOODY'S

Dec. 27	Dec. 19	M'th ago	Year ago
965.9	966.4	—	140.42

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Dec. 27	Dec. 19	Month ago	Year ago
Spot	121.99	122.83	—	140.43
Fut.	124.53	123.66	—	143.53

(Base: December 31 1974 = 100)

OIL

Brent firmed another 15 cents for forward months, while sellers of February oil asked anywhere between $28.45 to the previous official price of $28.65. Nymex was 19 cents up by 1 pm BST. In the petroleum products market gas oil firmed due to scarcity of prompt oil and no Russian cargoes currently due in February after the 7th. Heavy fuel firmed on demand for prompt material into the UK and tight supply—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.85-95	+0.10
Arab Heavy	26.60-70	—
Dubai	27.25-35	+0.05
Brent Blend	28.35-55	+0.225
W.T.I. (1pm est)	26.75-90	+0.325
Forcados (Nigeria)	27.50-85	—
Urals. (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	232-234	+1
Gas Oil	242-244	+3
Heavy fuel oil	186-190	+1

* March; rest February.

Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Feb	231.75	+1.75	233.25-32.00
March	224.75	+2.00	225.25-23.75
April	217.75	+1.87	218.00-16.75
May	216.25	+1.82	215.50-15.25
June	215.25	+2.12	215.00-15.00
July	214.00	+2.00	215.25-14.75
Jan	216.00	+3.75	214.25-14.25

Turnover: 1,742 (2,847) lots of 100 tonnes.

Heating oil opened strong on cold weather and forecasts of its continuation. Despite expectations of a good drawdown in industry distillate stocks, most of the strength eroded before the close on local selling. Soyabeans opened sharply lower on reports of widespread precipitation in Brazil which activated massive long liquidation by commisison houses. Long selling on the close took soyabeans to new critical lows. Maize and wheat finished marginally higher on steady commercial support. Gold and silver came under pressure from strength to the dollar along with uncertainty over the direction of U.S. interest rates. Copper and aluminium were under pressure on weakness to sterling. Good availability of raws along with *fundamentals* encouraged tired long liquidation by commisison houses in sugar. Coffee maintained a firm tone on concerns over the slow pace of Central American shipments. Cocoa was firm on concerns over availability due to projected low ending stock levels. Poor demand prospects continued to weaken cotton values, reports Heinold Commodities.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	4935	—	—	4995
March	4970	5000	4960	5035
April	5010	—	—	5070
May	5050	5075	5045	5110
July	5130	5145	5135	5185
Sept	5210	5220	5220	5260
Dec	5325	—	—	5370
Jan	5360	—	—	5405
March	5440	—	—	5480
May	5515	—	—	5550

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
March	64.48	64.75	64.25	64.73
May	65.68	66.05	65.42	66.02
July	66.65	67.05	66.55	67.00
Oct	67.15	67.40	67.04	67.12
Dec	67.25	67.45	67.09	67.50
March	68.45	68.35	68.35	[illegible]
May	69.08	—	—	69.35
July	69.53	69.50	69.50	69.70

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrel

	Close	High	Low	Prev
March	26.50	27.10	26.43	26.74
April	26.18	26.70	26.07	26.28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GOLD 100 troy oz, $/troy oz [illegible]

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons [illegible]

ORANGE JUICE 15,000 lb, cents/lb [illegible]

PLATINUM 50 troy oz, $/troy oz [illegible]

SILVER 5,000 troy oz, cents/troy oz [illegible]

COFFEE "C" 37,000 lbs, cents/lb [illegible]

COPPER 25,000 lb, cents/lb [illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb [illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	65.80	66.37	65.82	66.35
April	68.80	69.00	68.52	68.76
June	68.57	69.05	68.67	68.90
August	66.72	66.90	66.52	66.65
Oct	64.90	65.00	64.65	65.75
Dec	66.00	66.00	65.80	65.90
Feb	66.20	66.20	66.20	66.20

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	51.25	51.82	51.15	51.25
April	48.47	49.20	48.35	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56lb bushel [illegible]

PORK BELLIES 38,000lb, cents/lb [illegible]

SOYABEANS 5,000 bu min, cents/60 lb bushel [illegible]

SOYABEAN MEAL 100 tons, $/ton [illegible]

SOYABEAN OIL 60,000 lbs, cents/lb [illegible]

WHEAT 5,000 bu min, cents/60 lb bushel [illegible]

SPOT PRICES — Chicago loose lard 24.75 (same) cents per pound. New York tin 504.0-522.0 (482.0-525.0) cents per pound. Handy and Harman silver bullion 615.0 (633.0) cents per troy ounce.

COPPER

[illegible]

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1252.5, three months £1275, 74.5, 75, 73.5, 74. Standard: Cathodes: Cash £1249. Kerb: Higher Grade: Three month £1273.5, 73, 73.5. Afternoon: Higher Grade: Three months £1271, 70.5, 70, 69, 68.5, 73, 74, 75, 74, 73.5, 74, 74.5. Kerb: Higher Grade: Three months £1275, 76, 76.5, 77, 77.5, 78, 79. Turnover: 28,400 tonnes. U.S. Producers: 67-70 cents per pound.

TIN

[illegible]

Tin—Morning: Standard Cash £9915, 9900, 05, three months £9930, 10, 15, 20, 900, 9890, 85, 80, 70. Kerb: Standard: Cash £9910, three months £9975, 80. Afternoon: Standard: Three months £9900, 05, 15, 10, 15. High Grade: Three months £9930, 40, 50. Turnover: 1,835 tonnes.

LEAD

[illegible]

Lead—Morning: Cash £337, 38, three months £340, 40.5, 41, 42. Kerb: Three months £342, 42.5, 43. Afternoon: Three months £342, 42.5, 43, 42.5, 44, 43, 44, 43.5, 44, 44.5. Kerb: Three months £346, 45. Turnover: 12,100 tonnes. U.S. Spot: 20-22 cents per pound.

ZINC

[illegible]

Zinc. High Grade Official/Unofficial prices: Cash am £768-770, pm £773-727. Three months am £768-770, pm £774-779. Settlement £770.

Zinc—Morning: Cash £740, three months £742.5, 42, 41, 40.5. High Grade: Three months £773. Kerb: Standard: Three months £741.5, 42, 41, 42, 44. Afternoon: Three months £742, 42, 44. Kerb: Three months £745, 47, 50, 49, 48, 49.5, 50, 50.5. Turnover: 10,650 tonnes. U.S. Prime Western: — cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	982-.5	+15	981.5-2.5	+11.5
3 months	1013-.5	+16	1012.5-3	−12.2

Aluminium—Morning: Three months £1014, 13, 14, 13. Kerb: Three months £1014, 13. Afternoon: Three months £1015, 14, 14.5, 14, 13.5, 13. Kerb: Three months £1014, 15, 16, 17, 18, 17, 16, 17. Turnover: 16,525 tonnes.

NICKEL

[illegible]

Nickel—Morning: Cash £4485, 80, 85, three months £4500, 05, 4495, 90, 4500. Three months £4490. Afternoon: Three months £4505, 10, 15, 20, 25, 30. Kerb: Three months £4530, 35, 40. Turnover: 1,266 tonnes.

GOLD

Gold held up quite well in the face of the very strong performance by the dollar yesterday. In quiet trading gold fell $1¼ to $301¾-302. The metal opened at $300¾-301¼, and was fixed at $301¼ in the morning and the afternoon. It rose to a peak of $301¼-302¼ and a low of $300¾-301.

[illegible]

SILVER

Silver was fixed 9.55p an ounce lower for spot delivery in the London bullion market yesterday at 549.25p. U.S. cent equivalents of the fixing levels were: spot 613.9c, down 15.6c; three-month 626.45c, down 15.7c; six-month 641.45c, down 15.8c; and 12-month 673.25c, down 13.25c. The metal opened at 548-551p (613-616c) and closed at 550-553p (614-617c).

[illegible]

COCOA

Futures moved ahead strongly today and traded to life of contract highs, finally ending the afternoon session £60.00 steadier on the day. In spite of the rally, producers generally declined to re-enter the market and physical interest was limited to the second-hand trades, reports Gill and Duffus.

[illegible]

Sales: 7,222 (4,921) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for February 4 109.10 (107.42); five-day average for February 5 107.47 (106.60).

COFFEE

During a quiet opening, light trade and dealer selling produced marginal losses of £5.00-£10.00, reports Drexel, Burnham, Lambert. In thin conditions prices gradually improved to trade £5.00—25 steadier but again failed to respond to a strong New York market and lower sterling. However, late trade buying extended gains for values to close at the daily highs.

[illegible]

Sales: 1,754 (2,810) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for February 4 Comp. daily 1979 137.07 (138.71); 15-day average 138.46 (138.27).

GRAINS

Old crop markets drifted lower in extremely quiet featureless trading, closing £26—30 down on barley and £30—45 down on wheat. New crops eased on hedge selling again in quiet trading conditions, reports Muirpace.

[illegible]

PIGMEAT

[illegible]

POTATOES

[illegible]

RUBBER

PHYSICALS—The London market opened about unchanged, attracted very little interest throughout the day and closed idle, reports Lewis and Peat.

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

OTHER MARKETS

WOOL FUTURES

[illegible]

COTTON

[illegible]

MEAT

[illegible]

PARIS

[illegible]

ROTTERDAM

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar breaks through DM3.21

A strong dollar, backed by solid commercial demand, rose to record levels on the foreign exchanges yesterday Dealers suggested the lack of long-speculative positions in the market is making it increasingly difficult for the central banks to control the dollar's rise, and despite dollar sales by the German Bundesbank on the open market, and by the Bank of Tokyo earlier in the day, the U.S. currency advanced.

Against a background of a record $19bn U.S. Treasury programme of auctions this week, and considerable scepticism about the ability of the Reagan Administration to control the burgeoning budget deficit; U.S. interest rates are expected to reverse the recent downward trend. This is reinforced by the larger than anticipated growth in weekly M1 money supply last week and recent signs of recovery in U.S. economic growth.

The dollar's surge began in New York on Friday and continued in the Far East yesterday. The Bank of Japan may have sold up to $250m, but despite later efforts by the Bundesbank, and perhaps other European central banks, the dollar rose to a 12-year peak of DM 3.2115 from DM 3.1785; a record FFr 9.8125 from FFr 9.71; a 9½-year high of SwFr 2.7380 from SwFr 2.7035; and slightly over a 2-year peak of Y259.35 from Y256.70.

On Bank of England figures the dollar's index rose to a record 148 from 146.7.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.1105. January average 1.1274. Exchange rate index fell 0.4 to 71.3, the lowest level of the day. It opened at 71.4 and touched a peak of 71.5 at 9.00 am. Six months ago the index was 78.8.

Sterling lost 1.05 cents to $1.1135-1.1145, but held up well against other major currencies, as fears faded about disarray in the oil market following last week's majority Opec agreement, and there was much less conviction about an early cut in UK clearing bank base rates. Apart from the sudden resurgence of the dollar, the market is also waiting with apprehension for today's UK money supply figures. The pound rose to DM 3.5825 from DM 3.57; FFr 10.9350 from FFr 10.91; SwFr 3.0525 from SwFr 3.04; and Y289 from Y288.75.

D-MARK — Trading range against the dollar in 1984-85 is 3.2115 to 2.5535. January average 3.1698. Trade-weighted index 120.1 against 124.0 six months ago.

The D-mark fell sharply against the dollar, as the U.S. currency closed at its highest level for 12 years in Frankfurt yesterday. It finished at DM 3.2080, around the day's peak, despite intervention by the Bundesbank at the fixing and on the open market. The German central bank confirmed it sold dollars on the open market, but declined to give details. Dealers estimated official sales were in the region of $50m to $150m and the Bundesbank was also known to have sold $31.5m when the dollar was fixed at its highest level since January 23, 1973 at DM 3.1968 compared with DM 3.1725 on Friday. Selling pressure against the D-mark, as demand continued to grow for the dollar, was also reflected in a weakening of the German currency against some other major units, including the French franc. The D-mark fell to its lowest level in Paris for 13 months at FFr 3.0517 compared with FFr 3.0559 on Friday.

STERLING EXCHANGE RATE INDEX
(Bank of England)

	Feb 4	Previous
8.30 am	71.4	71.5
9.30 am	71.5	71.5
10.00 am	71.5	71.6
11.00 am	71.4	71.6
Noon	71.4	71.6
1.00 pm	71.4	71.6
2.00 pm	71.4	71.6
3.00 pm	71.3	71.6
4.00 pm	71.3	71.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 4	% change from central rate	% change adjusted for divergence	Divergence, limit %
Belgian Franc	44.9008	44.5003	−0.89	+0.01	±1.5428
Danish Krone	8.14104	7.93922	−2.48	−1.58	±1.6421
German D-Mark	2.24184	2.22485	−0.75	+0.15	±1.1463
French Franc	6.87456	6.79511	−1.16	−0.26	±1.3659
Dutch Guilder	2.52595	2.51704	−0.35	+0.55	±1.5165
Irish Punt	0.72589	0.715175	−1.45	−0.55	±1.6671
Italian Lira	1403.49	1367.37	−2.57	−2.33	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York

	February 4	Prev. close
£ Spot	$1.1135-1.1142	$1.1195-1.1285
1 month	0.39-0.37pm	0.37-0.35 pm
3 months	1.01-0.06pm	1.00-0.97 pm
12 months	2.20-2.10pm	2.20-2.10 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1120-1.1195	1.1135-1.1145	0.45-0.41c pm	4.63	1.20-1.15 pm	4.22
Ireland†	0.9683-0.9745	0.9683-0.9693	0.47-0.42c pm	5.49	1.28-1.20 pm	5.00
Canada	1.3204-1.3341	1.3330-1.3335	0.10-0.13c dis	−1.04	0.31-0.36dis	−1.01
Nethlnd.	3.6115-3.6346	3.6335-3.6345	0.68-0.62c pm	2.12	2.21-2.17 pm	2.42
Belgium	64.14-64.48	64.20-64.30	12-13c dis	−2.35	34-36 dis	−2.19
Denmark	11.39¾-11.46¾	11.45¾-11.46¾	1.65-2.15ore dis	−2.00	5½-6 dis	−2.01
W. Ger.	3.1925-3.2140	3.2110-3.2120	0.71-0.66pf pm	2.57	2.23-2.18 pm	2.76

OTHER CURRENCIES

CURRENCY MOVEMENTS

CURRENCY RATES

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Asian $ (closing rates in Singapore): Short-term 8¾-8⅞ per cent; seven days 8¾-8⅞ per cent; one month 8¾-8⅞ per cent; three months 9-9⅛ per cent; six months 9⅛-9¼ per cent; one year 9¾-9⅞ per cent. Long-term Eurodollars: two years 10½-10¾ per cent; three years 10⅞-11⅛ per cent; four years 11⅛-11⅜ per cent; five years 11½-11¾ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Weaker trend

Sterling-based instruments were weaker in the London International Financial Futures Exchange yesterday as interest rates rose ahead of today's UK money supply figures and a renewed upward surge in the dollar. Gilt prices opened weaker, reflecting a softer tone in sterling but were held at lower levels. A small rally in the U.S. bond market helped values finish above the day's lows.

Short sterling prices finished near to the day's lows as hopes of an early reduction in UK interest rates receded slightly. While rates appear set for a fall, the dollar's rise to record levels once again revived fears of renewed downward pressure on sterling. The March contract opened at 87.55, down from 87.87 on Friday and finished at 87.39.

Euro-dollar prices recovered from the day's lows on profit taking and a slightly lower Federal funds rate. However, market fears that the U.S. authorities were unlikely to relax their fiscal stance to any great extent inhibited the extent of any recovery. The March price opened at 90.78 and touched a low of 90.72 before recovering to finish at 90.84 still a little down from Fdiday's close of 90.86.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.84	90.85	90.72	90.86
June	90.32	90.33	90.15	90.29
Sept	89.77	89.79	89.63	89.75
Dec	89.31	89.31	89.19	89.30
March	88.92	—	—	88.92

Est volume 6,005 (10,403)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	72-12	72-13	72-01	72-14
June	71-11	71-11	71-06	71-13

Est volume 1,386 (2,880)
Previous day's open int 2,141 (2,072)

CHICAGO

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 4, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

MONEY MARKETS

UK rates up in nervous trading

Interest rates were firmer in London yesterday as the market reacted to a firmer dollar. There was also some apprehension ahead of today's UK banking figures. Three-month interbank money opened at 13-13¼ per cent and rose to finish at 13¼-13⅜ per cent up from 12⅞-12⅞ per cent on Friday. Three-month eligible bank bills were bid at 12 7/16 per cent compared with 12¼ per cent. Overnight money opened at 14-14¼ per cent and eased to a low of 13¾ per cent before finishing at 15 per cent.

The Bank of England forecast a shortage of around £200m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £535m. In addition banks' balances were brought forward £25m below target. These were partly offset by Exchequer transactions which added £90m and a fall in the note circulation of £265m.

The forecast was revised to a shortage of around £250m and the Bank gave assistance in the morning through sale and repurchase agreements on £106m of bills at 13¾ per cent, unwinding tomorrow.

In the afternoon the Bank bought £2m of eligible bank bills in band 1 (up to 14 days) at 13⅞ per cent. It also provided late assistance of £135m, making a total of £243m.

In Amsterdam the Dutch central bank injected liquidity into the money market through seven day currency swaps on dollars. This added Fl 2.7bn to the system, carrying an interest rate of 6 9/16-6 11/16 per cent. Call money yesterday was quoted at 6⅝-6¾ per cnet from 6⅝-6⅞ per cent on Friday while three-month money rose to 6⅝-6¾ per cent from 6½-6⅝ per cent.

UK clearing banks base lending rate 14 per cent since January 28.

MONEY RATES

Feb. 4	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.0-6.1	10⅛	3⅝-3⅝	6⅝ 6¾	6.21875	15⅞-16¼	10.75	14¾-15
One month	5.55-5.70	10⅜-10½	5½-5⅝	6⅝-6½	6.21875	16¾-16⅛	10¾-11	14¾ 15
Two months	5.90-6.05	10⅜ 10½	—	—	—	—	—	14¾-15
Three months	6.00 6.15	10⅝ 10½	5 9/16-5 11/16	6⅝ 6½	6.28125	15⅞-16¼	10¾-11	14⅝-14⅞
Six months	6.10-6.25	10⅜-10⅝	—	6 9/16-6 11/16	—	—	10¾ 11	14½-14¾
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10½	—	6¾	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Feb. 4 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	13¾-15	14	13⅛-14¼	13½-14	—	—	—	—	—
2 days notice	—	—	13⅞-14	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13⅞-14⅛	13¾-14	14¼	13½-13¾	—	—	—	—	—
One month	13¾-13½	13⅝-13¾	13¾	13¾	13	13⅛	12¾	13⅛-13⅜	13-13⅛	14
Two months	13⅝ 13¼	13⅝-13⅝	13¼	13½	12¼	12¾	12⅝	12⅝-12⅞	12½-12⅝	13½
Three months	13⅜-13⅞	13 13⅜	13⅛	13½	12	12⅝	12½	12½-12⅝	12 1/16-12⅛	13¼
Six months	12⅛-12⅛	12⅝-12¾	12⅛	—	—	—	—	11¾	11½-11⅝	12⅜
Nine months	12⅛-11⅞	12⅛-12⅛	—	—	—	—	—	—	—	—
One year	12-11¾	12-12 1/16	12¼	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14⅛-13¾	—	13⅝	8.5-8.5	8 7/16-8 11/16	10 1/16-10¼
Two months	13⅞-13½	—	—	8.55-8.65	8½-8¾	10 1/16-10¼
Three months	13¾-13⅝	—	13½	8.7-8.8	8 9/16-8 13/16	10 1/16-10¼
Six months	13-12⅝	—	13⅝	8.1-8.8	8⅝-8⅞	10 1/16-10¼
Nine months	12¾-12⅝	—	12¾	8.7-8.9	—	—
One year	12⅛-12⅛	—	12⅛	9.5-9.7	9 1/16-9 3/16	10 1/16-10¼
Two years	—	12	—	—	—	—
Three years	—	12	—	—	—	—
Four years	—	12	—	—	—	—
Five years	—	12	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period December 5 1984 to January 1 1985 (inclusive): 9.913 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from February 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11½ per cent. Treasury Bills: Average tender rates of discount 11.8180 per cent. Certificates of Tax Deposit (Series 6): Sales temporarily suspended. Rates prior to suspension were: Deposit £100,000 and over held under one month 14¼ per cent; one-three months 14 per cent; three-six months 13¾ per cent; six-nine months 13½ per cent; nine-12 months 13¾ per cent. Under £100,000 12¾ per cent from January 30. Deposits held under Series 8 10 per cent. The rate for all deposits withdrawn for cash 9 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. February 4)

3 months U.S. dollars	
bid 9	offer 9 1/8

6 months U.S. dollars	
bid 9 3/16	offer 9 5/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9¾
Fed funds	8⅞
Fed funds at intervention	—

Treasury Bills

Treasury Bonds

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 4.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅞ 88	150	103¼	103¾	−0½	−0⅝	11.36
Austria Rep 13⅝ 92	100	118⅝	118⅞	−0¼	−1¼	11.44
Bank Of Tokyo 12⅜ 92	100	100⅞	100⅞	0	−0⅝	12.48
Bank of Tokyo 13⅝ 91	100	107¼	107¾	−0⅛	−0¼	11.85
Caisse Nat Tele 13¾ 91	100	107¾	108¼	−0⅝	−1	11.85
Canadian Pac 12½ 88	75	102⅞	102⅝	−0⅝	−1⅛	12.12
CBS Inc 11⅝ 92	100	99⅛	99⅝	+0⅛	+0½	11.48
Chevron U.S.A. 12¼ 89	600	102⅞	102⅞	0	−0¼	11.45
Creditanstalt 13⅛ 91	100	104½	105	+0⅛	−0½	11.97
Denmark Kingdom 13 91	100	104⅞	105⅞	−0¼	−0⅝	11.77
Walt Disney Pro 12½ 87	150	102	102½	−0⅞	−1⅛	11.48
Weyerhaeuser 12¼ 87	150	101⅞	102⅝	0	−0¼	11.23
World Bank 12¼ 94	150	102¼	102¾	−0⅞	−1½	11.78
World Bank 12⅝ 94	200	105¾	105⅞	−0⅝	−1¼	11.83

Average price change... On day −0½ on week −0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amca Int'l 8¼ 91	100	102⅝	103½	0	−0¼	7.71
Asian Dev Bank 8 94	200	101⅞	102½	+1	−0¼	7.72
Austria Republic 7⅝ 94	200	100⅛	100⅞	−0½	−0⅝	7.54
Baxter Travenol 7¼ 94	200	99¾	100⅝	−0¼	−0¼	7.21
Credit National 8½ 94	200	102½	103⅛	−0⅛	−0¼	7.67

OVER-THE-COUNTER

Continued from Page 30

Stock	Sales (Hnds)	High	Low	Last	Chng
SchimA 40	76	19¾	19	19	
SciDyn	33	9¼	8¾	8¾	
SciCmp .28	11	6⅞	6¾	6⅞	+⅛
Scienc s	3	8¾	8¾	8¾	−½
SciMic	169	5⅞	4⅞	5⅞	
SciSft	2	11¾	11¾	11¾	−⅛
SciSySv	276	6¼	5⅞	5⅞	−⅛
Scitex	37	20½	19¾	19¾	
SeaGal	92	7⅝	7⅛	7⅝	+⅛
Seagate	2954	7½	7⅛	7⅛	−⅛
SeawFd 68	37	16½	16	16⅛	+⅛
SecTag	797	4⅛	3¾	3⅞	+⅛
SEEQ	101	7	6¾	6¾	
Selbel 60	61	23⅞	23	23¾	+¼
Select	4	12	11¾	11¾	+½
Semicn	35	9⅛	9⅛	9⅛	
Sensor 05	3323	9⅞	9¼	9¼	+½
SvcMer 08	1855	13⅞	13⅛	13⅝	+⅜
Svmast 1.12	218	33½	33	33¼	−¼
Servico t	8	18	17⅞	18	
SvcFrct	3	5⅞	5⅞	5⅞	+⅛
SevOak .16	548	16⅞	16⅛	16¼	
ShrMed .48	1160	31⅞	31	31¼	+⅛
Shwmt s 1.68	423	33¾	33½	33¾	+⅛
Shelby .16	52	20⅞	20⅛	20⅝	+⅛
Sheldal	20	18⅛	18	18	
Shoney s	111	27⅛	27	27⅛	+⅛
ShonSo s	114	15¾	15½	15⅝	−⅛
Shpsmt 10e	11	5¾	5½	5½	−⅛
SigmC s	2	7¾	7¾	7¾	+⅛
Silicon	301	10¼	9¾	10⅛	+⅛

Indices

NEW YORK — DOW JONES

CAPITAL MARKETS

Little enthusiasm for low-coupon Canadian issue

BY MAGGIE URRY IN LONDON

AFTER a gloomy morning yesterday, the Eurodollar bond market brightened later – thanks to a reasonable opening in New York. Even so, some bond prices were marked down by a ½ point, though little actual selling pressure appeared.

Despite the dull start, Wood Gundy launched a four-year $50m issue for Federal Business Development Bank, an AAA Canadian borrower. The deal met some resistance because of its low 10⅝ per cent coupon, although issue price is 99⅞ while its small size will make it illiquid in secondary market trading. The issue was bid at a 2¼ per cent discount to its issue price, well outside the 1⅝ per cent fees.

Later Salomon Brothers launched a $75m issue for Society for Savings, a U.S. savings and loan association. This had a much better reception, trading comfortably inside the 1⅞ per cent commissions. The five-year issue carries a 11⅝ per cent coupon and has a par issue price.

This issue is also AAA rated, and is collateralised by mortgages. The bonds will be in bearer form, not registered, since less than 50 per cent of the security comes from government agency mortgages.

Daiwa Europe launched a $50m issue for Orient Leasing, the Japanese finance company. This has a seven-year life and 11 per cent coupon, but a 100.60 issue price.

Gloom also descended on the D-Mark bond market with prices falling by ½ to ¾ point. Dealers are concerned by the strong dollar and are apprehensive about the Bundesbank's policies. Domestic bond prices fell even further, showing losses of 1½ points.

BHF Bank bond average		
Feb 4		Previous
101.578		102.104
High	1984/85	Low
99.382		99.288

Deutsche Bank launched the scheduled DM 300m issue for the European Investment Bank, with an eight-year life and 7⅜ per cent coupon. Issue price is par.

Misery extended to the Swiss franc market with foreign bonds falling around ½ point. Turnover was low. Bonds with coupons of 6 per cent and above resisted the fall, as dealers looked for higher yields. The new Confederation bond fell by ¾ point from its issue price to close at 99.15.

UBS launched a SwFr 150m 10 year public issue for IC Industries, the U.S. railway and diversified manufacturing group, with an indicated yield of 5¾ per cent. It is also leading a SwFr 100m five-year private placement for Shimizu Construction, again with an indicated 5¾ per cent yield.

Banca del Gottardo is making a SwFr 50m private placement for Keihan Electric Railway. This has a five-year life and a coupon of 5⅝ per cent with a 100¼ issue price.

Credit Suisse postponed Chugoku Electric Power's SwFr 100m public issue because of the poor market.

In the European Currency Unit bond market Chrysler Finance launched a Ecu 60m six-year issue with a 10 per cent coupon and par issue price. The deal, led by Banque Paribas, traded just outside the 1⅞ per cent selling concession.

UK home loan groups seek Euromarket funds

BY MARGARET HUGHES IN LONDON

BRITISH building societies (home loan groups) want to be able to raise funds on the Eurobond market to widen their wholesale market funding. This would be a major innovation in building society financing which would be well received in the Euromarket.

A leading building society would be a rare name which would attract a high quality credit rating. Eurobonds issued by them would be extremely attractive to Euromarket investors who are always keen to diversify their portfolios.

The Building Societies Association (BSA) has asked the Inland Revenue for the necessary statutory changes which would allow them to pay interest gross on quoted Eurobonds. The BSA is hopeful that this will be granted within the coming 1985 Finance Bill. Under Section 343 of the 1970 UK Income and Corporation Taxes Act, building societies are required to pay interest net of basic rate tax. Specific provisions, therefore, have to be made to allow them to pay interest gross.

Meanwhile, the Nationwide building society is already discussing with merchant banks the possibility of issuing Eurosterling certificates of deposit. The advantage of this route is that because societies are already able to pay interest gross on certificates of deposit there would be no need for any new specific provision.

The society is, however, keen to tap other Euromarket instruments such as floating rate notes which at present it, like other societies, is unable to use. It also wants eventually to borrow in currencies other than sterling which it would then be able to swap into sterling at highly advantageous interest rates. The Nationwide was one of the first societies to make use of the wholesale market by first issuing negotiable bonds and then certificates of deposit.

At present building societies are only able to pay interest gross on time deposits and certificates of deposit and have only been able to do this since the 1983 and 1984 Finance Acts allowed them to do so.

This has led to a marked increase in the use of such "non-traditional" sources of funds by building societies which they have tapped at times when retail deposits or savings have either been insufficient to meet mortage demand or expensive to raise.

Until the 1983 Finance Bill, which allowed interest to be paid gross on certificates of deposit and time deposits, societies made little use of wholesale markets.

With the opening up of the certificates of deposit and time deposits market, however, societies have made much wider use of wholesale funds. In 1983 they collectively raised £1.58bn. Last year the total raised was £2.23bn with the largest amounts being raised in August and September when societies' inflow from savers was hit by their delay in adjusting their investment rates to the rise in market rates and the launch of the 28th issue of UK National Savings Certificates.

The big societies are keen both to expand the proportion of funds which they can raise on the wholesale market and to diversify their sources. This is partly because it is now their declared policy to meet mortgage demand. But they will also need to increase their reserves to permit them to undertake the new activities envisaged under the proposed new legislation.